



2016/2017

**ANNUAL IDP, BUDGET AND
SUPPORTING DOCUMENTATION
OF MOGALE CITY LOCAL
MUNICIPALITY**

ANNUAL BUDGET OF
MOGALE CITY LOCAL
MUNICIPALITY

2016/2017 TO 2018/2019
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Introduction

This Budget notes that while twenty-two years of democracy have brought enduring achievements for South Africa, there is no room for complacency. To overcome apartheid's spatial legacy, the provision of housing and social infrastructure needs to be improved, and planning frameworks across local government must strengthened. The Medium Term Budget Framework for the next three years is designed to manage risk in a constrained fiscal environment, while building a foundation for economic growth which is supported by the implementation of the National Development Plan (NDP).

The Medium Term Budget Framework for 2016/17 is being tabled amid a backdrop of international and local economic downturn, amongst the most affected are the emerging markets countries particularly those commodity –producing countries, South Africa being one of them. Added to this is the deterioration of the rand and the current drought gripping large parts of the country. Most importantly, this budget reflects on the commitments made thus far - and sets the tone for “turning challenges into opportunities” as needed to achieve the empowering and sobering goals set out in the current IDP. This will see the municipality consolidate actions to ensure basic services are delivered to the highest feasible standards, and accelerate actions which drive and enable social and economic transformation.

The core services that local government provides are clean drinking water, sanitation, electricity, refuse removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Our vision of developmental local government was that it would be the building block on which the construction and development of our country and society was built, a place in which the citizens of our country could engage in a meaningful and direct way with the institutions of the state. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal to Mogale City's citizens. These rates of delivery are unprecedented in world-wide terms.

Mogale City for the past 5 years under the current political and administration has been implementing back-to-basics key performance requirements. This has been proven by achieving clean audit during 2013/14 and 2014/2015 financial years. The goal is to enhance and build a strong environment where sustainable performance is achieved and aimed at improving quality service delivery for all people within Mogale City.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. The need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms is vital.

During the 2016/2017 financial year we anticipate to raise R2 359 892 251 in billed revenue and operational grants, excluding capital grants of R248 876 000. Of the R2 359 892 251 revenue anticipated R2 834 300 364 will be spent on operational budget to deliver services like water, electricity distribution, sanitation and sanitation and refuse removal. The aim of this budget is to achieve the following objectives as per Strategic Plan of Mogale City.

1. To provide sustainable services to the community.
2. To promote sustainable environmental management.
3. To provide sustainable governance to the local communities.
4. To ensure sustainable governance practices within the Municipality.

In compiling this 2016/2017 annual budget was in line with the Strategic Plan which was revised in March 2015, reconciled with the IDP. On operational budget however some of the items like bulk purchases and employee related costs are predetermined.

1.2 Recommended to the Municipal Council

1. That the draft annual IDP, Budget of Mogale City Local Municipality for the financial year 2016/2017 and the indicative estimates for the two projected outer years 2017/2018 and 2018/2019, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
 - 1.1. The annual IDP, Budget of the municipality for the financial year 2016/2017 and the multi-year and single year capital appropriations as set out in the following tables be considered for approval:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 (**MBRR Table A2**) on page 35;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 (**MBRR Table A3**) on page 37;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 (**MBRR Table A4**) on page 39; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5**) on page 42.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6**) on page 44;
 - 1.2.2. Budgeted Cash Flows as contained in Table 21 (**MBRR Table A7**) on page 46;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 (**MBRR Table A8**) on page 46;
 - 1.2.4. Asset management as contained in Table 23 (**MBRR Table A9**) on page 48;
 - 1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10**) on page 50.
2. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 2.1.1. the tariffs for electricity – as set out in Schedule 3 on page 75-79
 - 2.1.2. the tariffs for the supply of water – as set out in Schedule 3 on page 80-82.
 - 2.1.3. the tariffs for sanitation services – as set out in Schedule 3 on page 83-85.
 - 2.1.4. the tariffs for property rates – as set out in Schedule 3 on page 86.
 - 2.1.5. the tariffs for solid waste removal – as set out in Schedule 3 on page 87-88
3. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 3 on page 89-117 respectively.
4. The Executive Mayor of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
5. The Executive Mayor of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.
6. That an additional 1% be charged on Water tariff for Water Demand Management Fund to fund capital projects thereof.

7. That the following budget related policies be tabled for public participation:

1. Annexure 1: Property Rates Policy
2. Annexure 2: Property Rates By-Laws
3. Annexure 3: Credit Control & Debt Collection Policy
4. Annexure 4: 1% Social Responsibility Policy
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16. Annexure 16: Draft Waste Tariff Policy
17. Annexure 17: Unauthorised Irregular Fruitless & Wasteful Expenditure Management

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2016/2017 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

1.3 Executive Summary

“The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa’s external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa’s own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018. The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016. These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.”(MFMA Circular No.79)

The state of the economy has an adverse effect on the consumers. As a result municipalities’ revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of Mogale City’s financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury’s MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 , 72, 75 & 79 were used to guide the compilation of the 2016/2017 MTREF.

The main challenges experienced during the compilation of the 2016/2017 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of capital projects – original allocations had to be reduced during the current year’s adjustment budget and needed to be factored into the budget as part of the 2016/2017 MTREF process and new projects had to be scaled down to be within affordability.
- The need to reflect costs reflective tariffs for Water with double digit increase from Rand Water of 10 per cent.
- The declining liquidity ratio due to budgeted deficit of financial performance from 2014/15 and over 2016/17 MTREF.

The following budget principles and guidelines directly informed the compilation of the 2016/2017 MTREF:

- The 2015/2016 original budget, adjustment budget priorities and targets, as well as the request from Departments based on the five year plan adopted by council and 2014/2015 audited outcome on certain line items.
- **Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.**
- **There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.**
- **The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.**

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/2017 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2016/2017 MTREF

R thousand	2014/2015 Audited Outcome	Approved Original Budget 2015/2016	Approved Adjustments Budget 2015/2016	Budget Year 2016/17	Budget Year +1 2017/2018	Budget Year +2 2018/2019
Total Operating Revenue (including capital transfers)	2,284,285,186	2,390,677,327	2,415,124,970	2,608,768,251	2,763,829,438	2,988,516,924
Total Operating Expenditure	2,301,986,251	2,593,074,690	2,612,195,715	2,834,300,364	2,941,523,118	3,108,791,446
Surplus/(Deficit) after Capital Transfers	(17,701,065)	(202,397,363)	(197,070,745)	(225,532,113)	(177,693,680)	(120,274,522)
Total Capital Expenditure	396,938,718	293,360,149	383,640,412	328,116,568	185,284,300	341,115,756
Total Consolidated Budget	2,698,924,969	2,886,434,839	2,995,836,127	3,162,416,932	3,126,807,418	3,449,907,202

Total operating revenue has grown by 8 per cent or R193 643 281 for the 2016/2017 financial year when compared to the 2015/2016 Adjustments Budget. For the two outer years, operational revenue will decrease to 5.9 per cent and increase to 8.1 per cent respectively, equating to a total revenue growth of R573 391 954 over the MTREF when compared to the 2015/2016 adjustment budget.

Total operating expenditure for the 2016/2017 financial year has been appropriated at R2 834 300 364 and translates into an operating budgeted deficit of **R225 532 113**. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R524 106 214**. This deficit remains a challenge for the municipality as it affects our liquidity position.

When compared to the 2015/2016 Adjustment Budget, operational expenditure has grown by 9 per cent in the 2016/2017 budget and by 4 and 6 per cent for each of the respective outer years of the MTREF.

The capital budget of R328 116 568 for 2016/2017 is 14 per cent less when compared to the 2015/2016 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability.** A substantial portion of the capital budget projects will be implemented during 2018/2019 financial year with a long term planning of building cash reserves over the MTREF. Own funding contributes 24 per cent in 2016/2017 of the total proposed capital budget.

1.4 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The revenue base for the City for other main tariffs excluding electricity, water and sanitation have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 7.86 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 10 per cent proposed by Rand Water still to be approved by National Parliament;
- Sanitation tariff increase of 10 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services; and

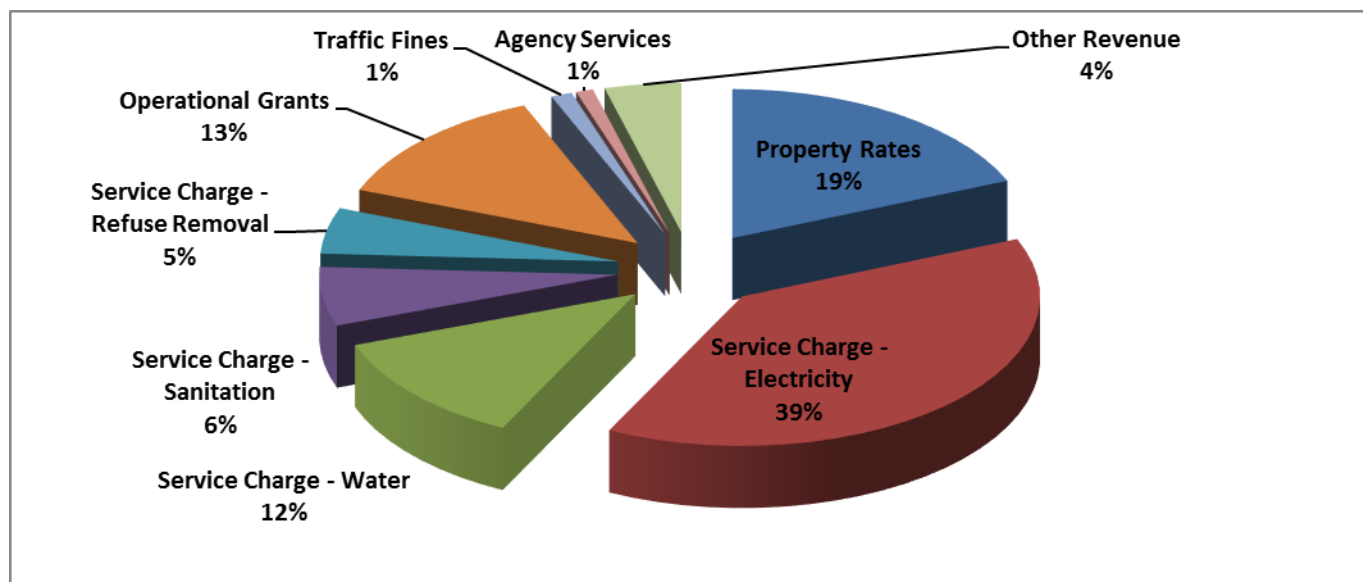


Figure 1 Main operational revenue categories

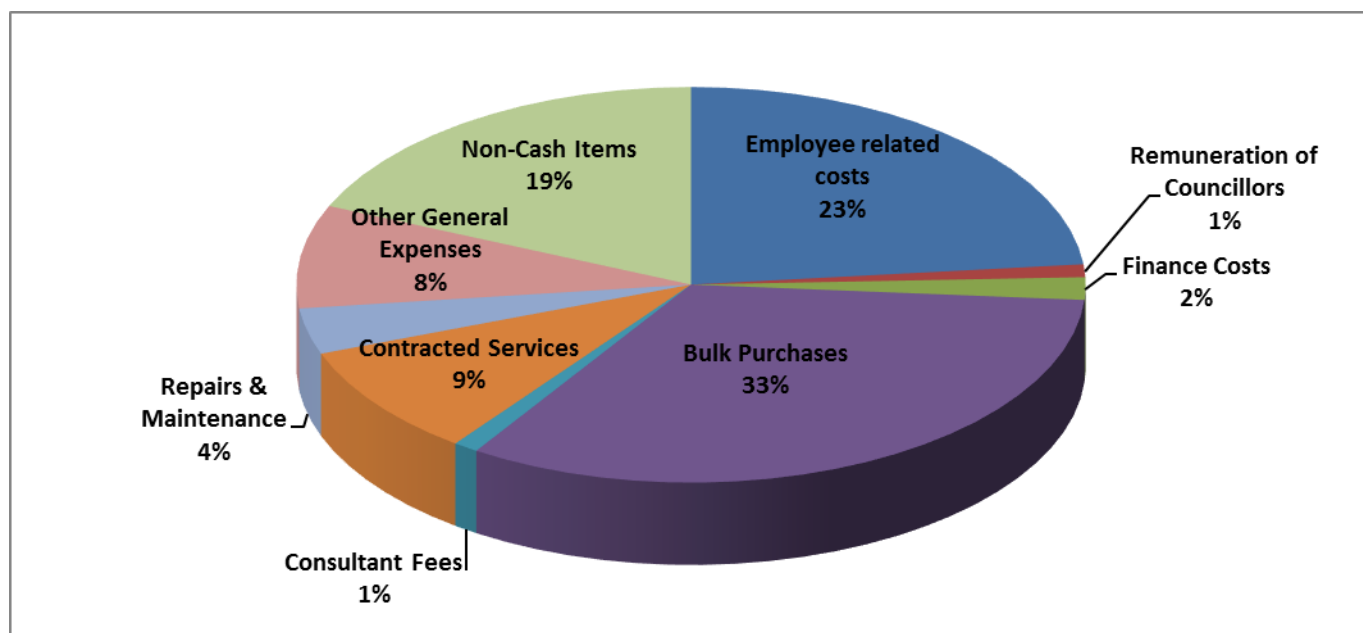


Figure 2 Main operational expenditure categories

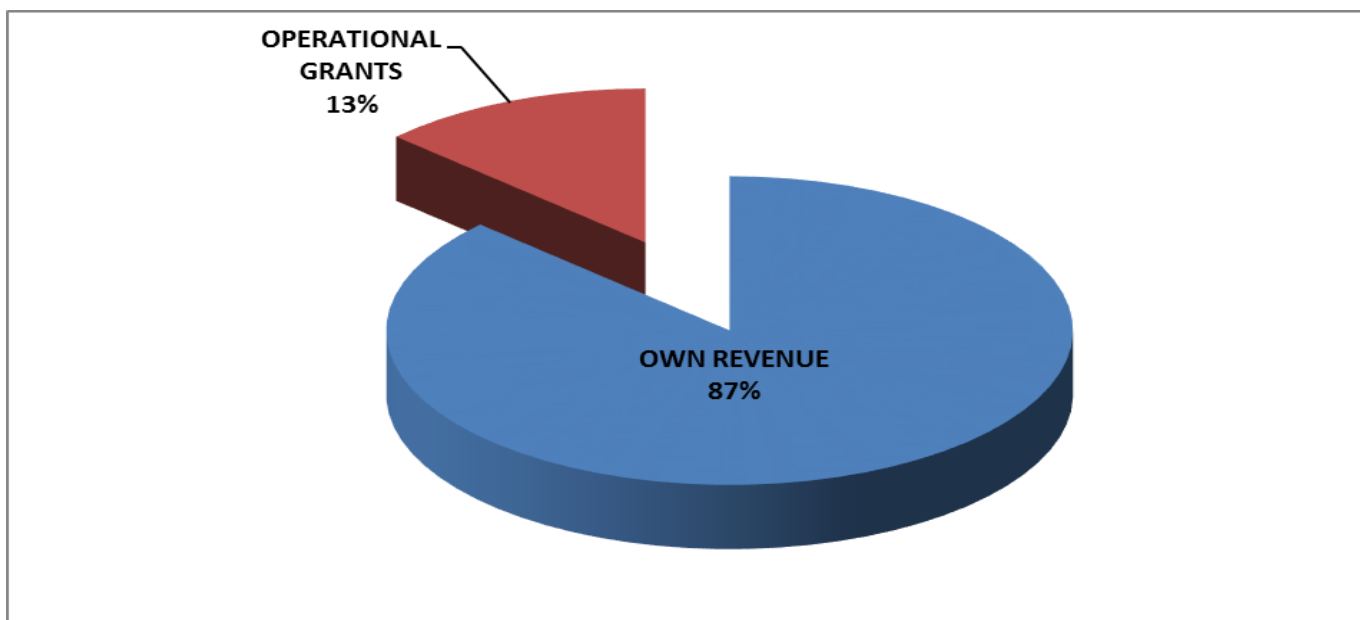


Figure 3: Source of revenue

During 2016/2017, the City's total budget amount to approximately R3.2 billion, the split between operating and capital are as follows:

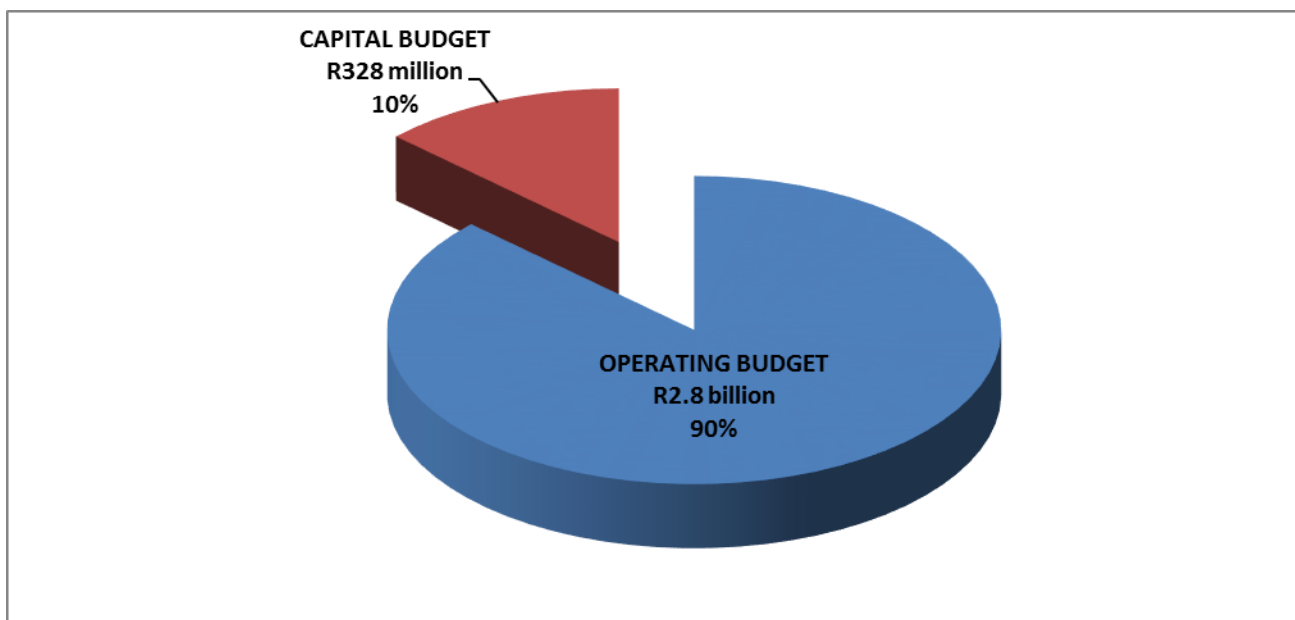


Figure 4: Operating & Capital Budget

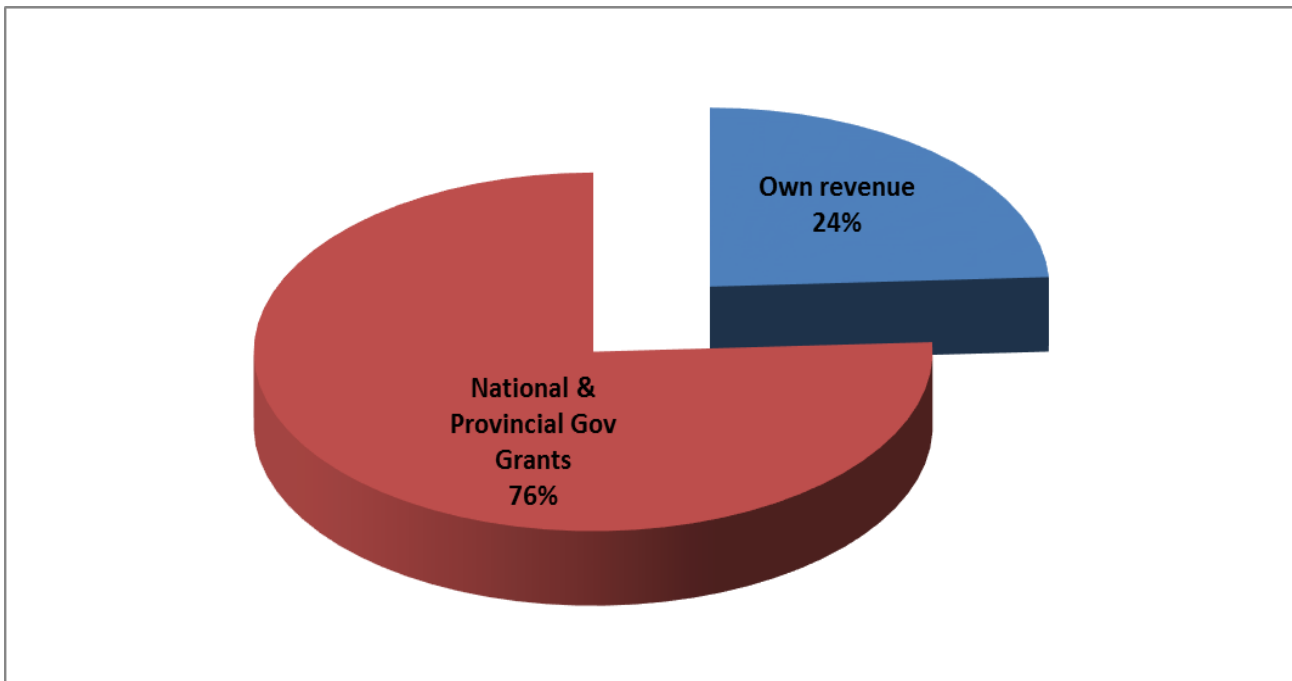


Figure 5: Capital Funding

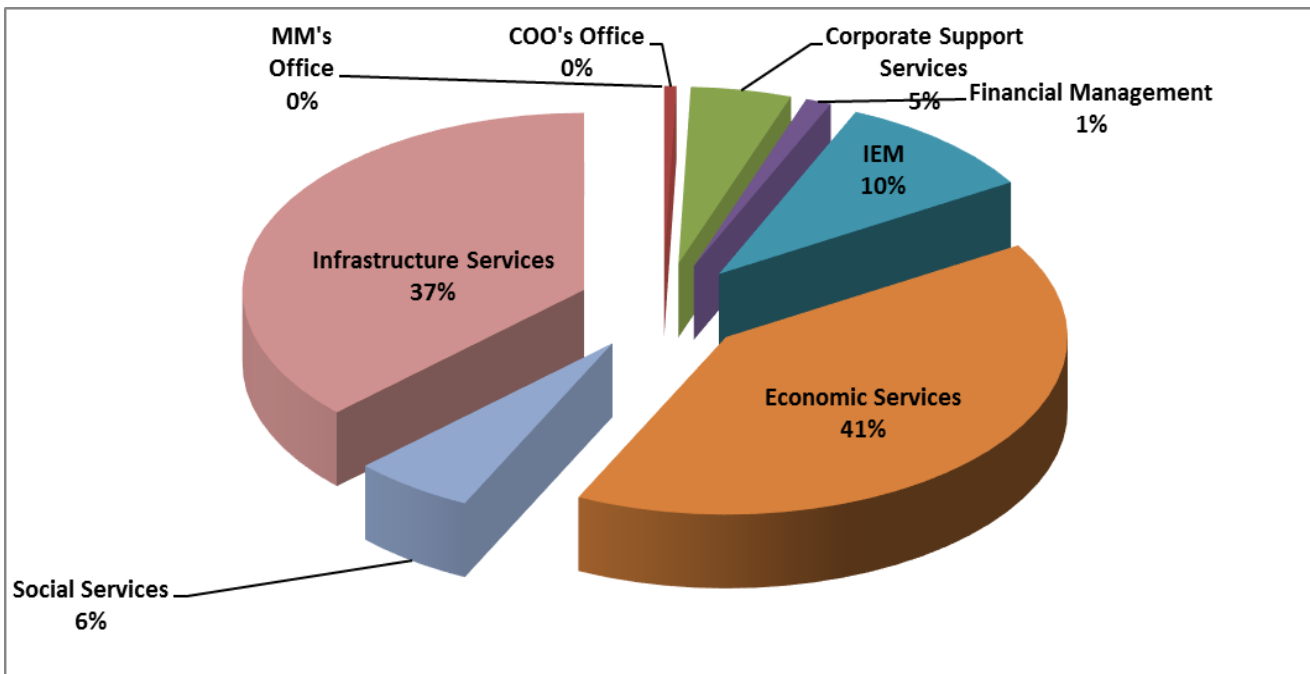


Figure 6: Capital budget per votes/departments

The following table is a summary of the 2016/2017 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source										
Property rates	272,542	308,723	394,495	368,044	420,617	420,617	420,617	441,648	465,939	490,634
Property rates- Penalty imposed and collection charges	20,863	32,026	24,995	26,828	22,759	22,759	22,759	24,124	25,451	26,800
Service charges - electricity revenue	695,821	723,268	775,086	904,354	844,987	844,987	844,987	911,403	1,022,595	1,147,351
Service charges - water revenue	187,195	193,750	216,547	257,065	260,054	260,054	260,054	286,060	314,666	346,132
Service charges - sanitation revenue	94,007	105,155	127,551	132,037	136,912	136,912	136,912	150,604	159,842	169,411
Service charges - refuse revenue	91,131	100,636	104,034	110,378	110,874	110,874	110,874	117,526	124,094	130,671
Rental of facilities and equipment	2,821	2,969	3,366	3,447	3,251	3,251	3,251	3,446	3,652	3,846
Interest earned - external investments	13,598	12,624	17,348	6,000	4,854	4,854	4,854	2,040	2,152	2,266
Interest earned - outstanding debtors	10,349	14,518	22,291	34,237	39,157	39,157	39,157	41,507	43,997	46,329
Dividends received	-	34	19	-	-	-	-	-	-	-
Fines: Traffic	10,487	170,003	134,577	23,522	27,000	27,000	27,000	27,000	28,620	30,137
Licences and permits	17	28	19	23	28	28	28	29	31	33
Agency services	24,950	21,408	22,184	22,692	22,184	22,184	22,184	22,184	23,515	24,762
Transfers recognised - operational	239,980	238,158	250,762	274,720	274,258	274,258	274,258	305,520	339,908	359,390
Other revenue	73,392	86,097	89,221	36,173	46,270	46,270	46,270	26,801	28,409	29,915
Gains on disposal of PPE	-	-	2,548	50,000	50,000	50,000	50,000	-	-	-
Total Revenue (excluding capital transfers and contributions)	1,737,151	2,009,397	2,185,042	2,249,521	2,263,206	2,263,206	2,263,206	2,359,892	2,582,872	2,807,676

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2015/2016		2016/2017 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2016/17	%	Budget Year +1 2017/18	%	Budget Year +2 2018/19	%
Property rates	420,617	19%	441,648	19%	465,939	18%	490,634	17%
Service charges - electricity revenue	844,987	37%	911,403	39%	1,022,595	40%	1,147,351	41%
Service charges - water revenue	260,054	11%	286,060	12%	314,666	12%	346,132	12%
Service charges - sanitation revenue	136,912	6%	150,604	6%	159,842	6%	169,411	6%
Service charges - refuse revenue	110,874	5%	117,526	5%	124,094	5%	130,671	5%
Service charges - other	22,759	1%	24,124	1%	25,451	1%	26,800	1%
Rental of facilities and equipment	3,251	0%	3,446	0%	3,652	0%	3,846	0%
Interest earned - external investments	4,854	0%	2,040	0%	2,152	0%	2,266	0%
Interest earned - outstanding debtors	39,157	2%	41,507	2%	43,997	2%	46,329	2%
Fines	27,000	1%	27,000	1%	28,620	1%	30,137	1%
Licences and permits	28	0%	29	0%	31	0%	33	0%
Agency services	22,184	1%	22,184	1%	23,515	1%	24,762	1%
Transfers recognised - operational	274,258	12%	305,520	13%	339,908	13%	359,390	13%
Other revenue	46,270	2%	26,801	1%	28,409	1%	29,915	1%
Total Revenue (excluding capital transfers and contributions)	2,263,206	100%	2,359,892	100%	2,582,872	100%	2,807,676	100%
Total revenue from rates and service charges	1,773,445	78%	1,907,241	81%	2,087,135	81%	2,284,200	81%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charge revenues comprise 81 per cent of the total revenue mix during 2016/2017 financial year and remains constant over MTREF. During 2015/2016 financial year, revenue from rates and services charges totalled R1.8 billion or 78 per cent. This increases to R1.9 billion, R2.1 billion and R2.3 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 78 per cent in 2015/2016 Adjustment Budget to 81 per cent in 2018/2019 financial year. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years and water tariffs. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 19 per cent or R441 648 million rand and increases to R490 634 million by 2018/2019. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R305 520 million in the 2016/2017 financial year an increase of 11.4 per cent when compared to 2015/2016 Adjustment Budget this increase can attributed to the increase in the Provincial Government for Library funding increment of R8 875 million and Equitable Share increased by R26 271 million, and steadily increases to R359 390 million by 2018/2019. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Note that the year-on-year declines or decreases to 5.7 per cent during 2018/2019.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	216,138	229,221	243,843	265,305	264,916	264,916	291,020	325,408	344,890
Local Government Equitable Share	210,117	222,291	238,641	259,185	259,185	259,185	285,456	320,490	339,602
Finance Management	1,250	1,300	1,450	1,450	1,450	1,450	1,475	1,550	1,550
Municipal Systems Improvement	1,000	783	-	-	961	961	-	-	-
EPWP Integrated Grant	2,000	2,873	2,052	1,266	1,266	1,266	1,089	-	-
MIG (PMU)	1,771	1,974	1,700	3,404	2,054	2,054	3,000	3,368	3,737
Provincial Government:	6,654	6,265	4,267	6,513	6,105	6,105	14,500	14,500	14,500
Sport and Recreation	3,706	3,623	4,267	6,513	5,625	5,625	14,500	14,500	14,500
Seta- Training	1,295	-	-	-	-	-	-	-	-
Social Development - GDSD	-	2,642	-	-	-	-	-	-	-
DLGH:ALOECAP Project	1,653	-	-	-	480	480	-	-	-
GDARD: Environmental Planning & Impact Assessment	-	-	-	-	-	-	-	-	-
District Municipality:	2,290	2,672	2,652	2,902	3,236	3,236	-	-	-
HIV & AIDS	2,290	2,672	2,652	2,902	2,902	2,902	-	-	-
Agricultural Mechanisation Programme	-	-	-	-	335	335	-	-	-
Total operating expenditure of Transfers and Grants:	225,081	238,158	250,762	274,720	274,258	274,258	305,520	339,908	359,390

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality,** Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the municipalities.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 9.4 per cent on 01st July 2016.

The Energy Regulator made its determination on Eskom's RCA on 01 March 2016. Subsequently, the determination on Eskom's Retail Tariff Structural Adjustment (ERTSA) was approved on 07 March 2016. The municipal tariff guideline increase is developed based on Eskom's approved bulk price increase of electricity to municipalities and the increase on the municipalities' cost structures. Hence the approval of the municipal guideline increase subsequent to the determination of ERTSA. It should be noted that it is for this reason that the consultation on the guideline increase and benchmarks for the 2016/2017 financial year will be taken into consideration in March/ April 2016.

On 01 March 2016 NERSA granted Eskom an average increase of 9.4% to Eskom's RCA application for the first year (2013/14) of the MYPD3 control period. Furthermore, the ERTSA application was approved on 07 March 2016, leading to a bulk increase of 7.86% for municipalities. This is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

The Energy Regulator is requesting the stakeholders to comment on the guideline increase, the benchmarks and the proposed timelines as set out in this consultation paper. However NERSA has not yet approved and published guidelines on municipal electricity price increase for the 2016/2017 financial year. A guideline increase (tariff increase to customers) of **7.86 per cent** has been proposed based on the following factors, among others, will be taken into account when determining the average cost to supply:

- a) bulk purchases;
- b) bad debts;
- c) reasonable energy losses;
- d) direct and indirect charges;
- e) salaries and wages; and
- f) capital charges.

Furthermore, the municipalities' overall financial and technical performance will be reviewed prior to a final decision on the overall tariff increase. Indicators to be considered in this regard mainly include:

- a) percentage surplus;
- b) percentage energy losses;
- c) percentage power costs;
- d) repairs and maintenance;
- e) bad debt provision; and
- f) average selling price/average purchase price ratio.

Rand Water has notified municipalities that the proposed potable water tariff will be 11.9 per cent from 01st July 2016 excluding rebate set aside to be passed to customers and will be 9 per cent including rebate set aside. It came to Rand Water's attention that the AMD charge of 23 cents per kilolitre that was included in the raw water tariff was meant to be excluded. The raw water tariff charged by DWS/TCTA applies to their financial year, 1st April 2015 – 31st March 2016. Therefore Rand Water has to pass this amount on to customers or the Department.

Mogale City is proposing 10 per cent potable water tariff increase plus 1% water demand management tariff increase portion that will be used to purchase bulk water meters, is therefore indicative tariff increase for 2016/2017 financial year subject to the approval by National Parliament by March 2016. In terms of the Water Research Act 34 of 1971, Rand Water must collect the Water Research Levy, which is not part of Rand Water's tariff for payment to the Water Research Commission (WRC). Rand Water will inform Municipalities about the levy increase as soon as it has been gazetted. The budget for purchase of water does not include this water research levy.

It must also be noted that Mogale City's water tariffs are not cost reflective, we are purchasing water from Rand Water at a higher price of 756.599393 cents per kilolitre excluding VAT then sell to customers at low price. **The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.**

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 72 for the 2014/15 MTREF encourages municipalities ***"to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality"***

Some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a **5 per cent** increase from 01st July 2016 is contained below:

Table 5 Proposed rates to be levied for the 2016/2017 financial year

Category	Current Tariff (1 July 2015)	Proposed tariff (from 1 July 2016)	Increase
	c	c	%
Residential properties	0.01295	0.01360	5%
State Owned Properties Residential	0.01295	0.01360	5%
Commercial & Business	0.02590	0.02719	5%
Agricultural	0.00332	0.00349	5%
Agricultural-Residential	0.01295	0.01360	5%
Agricultural-Business	0.02590	0.02720	5%
Public Benefit Organization	0.01295	0.01360	5%
Industrial	0.02590	0.02720	5%
Public Service Infrastructure (PSI)	0.01295	0.01360	5%
Private Open Space	0.01318	0.01384	5%
Special Use	0.02372	0.02491	5%

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels. Rand Water is in favour of an additional 1% for the Water Demand Management Fund if a letter confirming a Resolution of Council is sent to Rand Water.

Water losses in 2014/2015 audited financial statements was 42 per cent or R78 069 967, this includes 15 per cent of apparent losses. Infrastructure Department has developed a strategy to curb these high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

It is to be understood that all the steps taken by the Municipality in addressing the water losses are incrementally making a huge impact in curbing the losses. The efforts will show positive results in good time. Furthermore the interventions are based on best practice not only in Mogale City but in the Water industry.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. **Rand Water has proposed an indicative tariff increase of about 10 per cent for municipal budgeting process, subject to the approval by the National Parliament in March 2016.**

A tariff increase of 10 per cent inclusive of 1 per cent for water demand management fund to be utilized to acquire bulk water meters from 1 July 2016 for water is therefore proposed.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS	PROPOSED TARIFFS	INCREASE
	2015/2016	2016/2017	
	Rand per kℓ	Rand per kℓ	%
RESIDENTIAL			
(i) 0 to 6 kℓ	0	0	
(ii) 7 to 15 kℓ	15.68	17.25	10.0%
(iii) 16 to 30 kℓ	19.44	21.38	10.0%
(iv) 31 to 45 kℓ	22.62	24.88	10.0%
(v) 46 to 60kℓ	24.95	27.45	10.0%
(vi) 61 kl + above	27.27	30.00	10.0%
Other consumers: Schools, NGO's and Hospitals Per kl	18.16	19.97	10.0%
NON-RESIDENTIAL (Business & Industrial)			
(i) 0 – 500 kℓ	22.66	24.93	10.0%
(ii) 500 + above	17.01	18.71	10.0%

1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 10 per cent for sanitation from 1st July 2016 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 10 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R151 million for the 2016/2017 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

Category/Land Use	CURRENT TARIFFS 2015/2016	PROPOSED TARIFFS 2016/2017	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	179.39	197.33	10.0%
Basic Charges per m2	0.03	0.03	10.0%
Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale	89.71	98.69	10.0%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	5.99	6.59	10.0%
Basic Sewerage Fixed usage 30kl/month : Vacant stand	3.62	3.98	10.0%

1.4.4 Sale of Electricity and Impact of Tariff Increases

On 01 March 2016 NERSA granted Eskom an average increase of 9.4% to Eskom's RCA application for the first year (2013/14) of the MYPD3 control period. Furthermore, the ERTSA application was approved on 07 March 2016, leading to a bulk increase of 7.86% for municipalities. This is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

It should be noted that the guideline is not an automatic increase in tariffs. Therefore all municipalities with distribution licenses are still required to apply to NERSA for the approval of their tariffs.

Registered indigents will again be granted 50 kWh per month free of charge.

Table 8 Proposed Electricity Tariffs

PROPOSED ELECTRICITY TARIFFS: 2016/2017					2016-2017							
					2015/16 NERSA APPROVED TARIFFS	2016-17 MLCM PROPOSED TARIFFS						
					12.20%	7.86%	Mogale City % Increase/Decrease					
Updated: 2016/03/15					Mogale City Approved Tariffs Jul 2015	Mogale City Proposed Tariffs Jul 2016						
Excluding VAT					2015/2016	2016/2017	2016/2017					
ENVIRONMENTAL ELECTRICITY LEVY					R 0.0000	R 0.0000						
1. Domestic - Single Consumers												
1.1. Pre-Paid												
1.1.1. Pre-Paid: Single Phase												
1.1.1.1. Energy (R/kWh)					0269	kWh Consumption: 1 - 1 000 kWh / Month	R 1.4420	R 1.555	7.86%			
1.1.1.2. Energy (R/kWh)					NEW	kWh Consumption: 1 001 - 1 500 kWh / Month	R 1.4249	R 1.537	7.86%			
1.1.1.3. Energy (R/kWh)					NEW	kWh Consumption: > 1 500 kWh / Month	R 1.4823	R 1.599	7.86%			
Fixed Charge (R/A/CB rating)												
1.1.2. Pre-Paid: Three Phase												
1.1.2.1. Energy (R/kWh)						kWh Consumption: 1 - 1 000 kWh / Month	R 1.3212	R 1.4250	7.86%			
1.1.2.2. Energy (R/kWh)					NEW	kWh Consumption: 1 001 - 1 500 kWh / Month	R 1.4648	R 1.5799	7.86%			
1.1.2.3. Energy (R/kWh)					NEW	kWh Consumption: > 1 500 kWh / Month	R 1.5239	R 1.6437	7.86%			
Fixed Charge (R/A/CB rating)												
1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)						350 kWh / Month and 30 Ampere Connection Maximum						
1.2.1. Energy (R/kWh)					0277	kWh Consumption: 51 - 350 kWh / Month	R 0.9421	R 1.0161	7.86%			
1.2.2. Energy (R/kWh)					NEW	kWh Consumption: 351 - 500 kWh / Month	R 1.0430	R 1.1250	7.86%			
1.2.3. Energy (R/kWh)					NEW	kWh Consumption: 501 - 750 kWh / Month	R 1.2565	R 1.3553	7.86%			
1.2.4. Energy (R/kWh)					NEW	kWh Consumption: > 751 kWh / Month	R 1.4820	R 1.5985	7.86%			
Fixed Charge (R/A/CB rating)												
1.3. Two-Part												
1.3.1. Energy (R/kWh)					0270		R 1.0048	R 1.0838	7.86%			
1.3.2. Fixed Charge (R/A/CB rating) (60A)					0200		R 4.40	R 4.75	7.86%			
1.4. Two-Part: Time-of-Use												
Energy (R/kWh):												
1.4.1. During Eskom PEAK Times					0236		R 2.5678	R 2.7696	7.86%			
1.4.2. During Eskom STANDARD Times					0237		R 1.1937	R 1.2875	7.86%			
1.4.3. During Eskom OFF-PEAK Times					0238		R 0.7961	R 0.8587	7.86%			
1.4.4. Fixed Charge (R/A/CB rating)					0216		R 4.39	R 4.74	7.86%			
1.5. FREE Basic Electricity						Poor households - 50 kWh / Month	R 0.0000	R 0.0000				
2. Domestic - Bulk Consumers Low Voltage												
2.1. Three-Part												
2.1.1. Energy (R/kWh)					240		R 0.7787	R 0.8399	7.86%			
2.1.2. Fixed Charge (Rand/Month)					212		R 489.10	R 527.54	7.86%			
2.1.3. Demand Charge (R/kVA)					241		R 90.44	R 97.55	7.86%			
2.1.4. Reactive Energy Charge (R/kvarh)					NEW		R 0.1828	R 0.1972	7.86%			
2.2. Time-of-Use:												
2.2.1. Energy Charge (R/kWh)						Weekdays						
Peak					242	07:00 - 10:00	N/A	N/A	High Demand(Jun-Aug)	R 3.5921	R 3.8744	7.86%
					243	18:00 - 20:00			Low Demand(Sep-May)	R 1.0033	R 1.0822	7.86%
					244	06:00 - 07:00	07:00 - 12:00		High Demand(Jun-Aug)	R 1.0033	R 1.0822	7.86%
Standard					245	10:00 - 18:00	18:00 - 20:00	N/A	Low Demand(Sep-May)	R 0.6147	R 0.6630	7.86%
					246	20:00 - 22:00	12:00 - 18:00		High Demand(Jun-Aug)	R 0.4988	R 0.5380	7.86%
Off-Peak					247	22:00 - 06:00	20:00 - 07:00	00:00 - 24:00	Low Demand(Sep-May)	R 0.4297	R 0.4635	7.86%
2.2.2. Fixed Charge (Rand/Month)					213				R 440.18	R 474.78	7.86%	
2.2.3. Demand Charge (R/kVA)					248				R 87.18	R 94.0323	7.86%	
2.2.4. Reactive Energy Charge (R/kvarh)					NEW				R 0.1828	R 0.1972	7.86%	
3. Domestic - Bulk Consumers High Voltage						% correction compared to Commercial Tariff						
3.1. Three-Part												
3.1.1. Energy (R/kWh)					249				R 0.6453	R 0.6960	7.86%	
3.1.2. Fixed Charge (Rand/Month)					214				R 4,491.49	R 4,844.52	7.86%	
3.1.3. Demand Charge (R/kVA)					250				R 64.53	R 69.60	7.86%	
3.1.4. Reactive Energy Charge (R/kvarh)					NEW				R 0.1828	R 0.1972	7.86%	
3.2. Time-of-Use												
3.2.1. Energy Charge (R/kWh)						Weekdays	Saturday	Sunday				
Peak					251	07:00 - 10:00	N/A	N/A	High Demand(Jun-Aug)	R 3.8377	R 4.1393	7.86%
					252	18:00 - 20:00			Low Demand(Sep-May)	R 1.0716	R 1.1558	7.86%
					253	06:00 - 07:00	07:00 - 12:00		High Demand(Jun-Aug)	R 0.9979	R 1.0763	7.86%
Standard					254	10:00 - 18:00	18:00 - 20:00	N/A	Low Demand(Sep-May)	R 0.6567	R 0.7083	7.86%
					255	20:00 - 22:00	12:00 - 18:00		High Demand(Jun-Aug)	R 0.5330	R 0.5749	7.86%
Off-Peak					256	22:00 - 06:00	20:00 - 07:00	00:00 - 24:00	Low Demand(Sep-May)	R 0.5330	R 0.5749	7.86%
3.2.2. Fixed Charge (Rand/Month)					215				R 5,392.31	R 5,816.15	7.86%	
3.2.3. Demand Charge (R/kVA)					257				R 77.47	R 83.5591	7.86%	
3.2.4. Reactive Energy Charge (R/kvarh)					NEW				R 0.1828	R 0.1972	7.86%	
4. Commercial and Industrial - Small Consumers												
4.1. Two-Part												
4.1.1. Energy (R/kWh)					0271				R 1.3352	R 1.4401	7.86%	
4.1.2. Fixed Charge (R/A/CB rating)					0209				R 5.41	R 5.84	7.86%	
4.2. Two-Part: Time-of-Use												
4.2.1. Energy (R/kWh):												
4.2.1.1. During Eskom PEAK Times					0233				R 2.7000	R 2.9122	7.86%	
4.2.1.2. During Eskom STANDARD Times					0234				R 1.2692	R 1.3690	7.86%	
4.2.1.3. During Eskom OFF-PEAK Times					0235				R 0.8335	R 0.8990	7.86%	
4.2.2. Fixed Charge (R/A/CB rating)					0217				R 5.41	R 5.84	7.86%	
4.3. Pre-Paid												
4.3.1. Pre-Paid: Single Phase						Maximum Consumption: 1 000 kWh / Month						
4.3.1.1. Energy (R/kWh)					0269				R 1.3913	R 1.5007	7.86%	
4.3.1.2. Fixed Charge (R/A/CB rating)						NO Charge						
4.3.2. Pre-Paid: Three Phase						Maximum Consumption: 1 000 kWh / Month						
4.3.2.1. Energy (R/kWh)									R 1.7592	R 1.8975	7.86%	
4.3.2.2. Fixed Charge (R/A/CB rating)						NO Charge						
5. Commercial & Industrial - Bulk Consumers Low Voltage												
5.1. Three-Part												
5.1.1. Energy (R/kWh)					0273				R 0.7841	R 0.8457	7.86%	
5.1.2. Fixed Charge (Rand/Month)					0202				R 489.10	R 527.54	7.86%	
5.1.3. Demand Charge (R/kVA)					0291				R 92.91	R 100.21	7.86%	
5.1.4. Reactive Energy Charge (R/kvarh)					NEW				R 0.1828	R 0.1972	7.86%	

8.4.5 Refuse Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2016 is proposed.

The following table compares current and proposed amounts payable from 1st July 2016:

Table 9 Proposed refuse removal

	CURRENT TARIFFS 2015/2016	PROPOSED TARIFFS 2016/2017	INCREASE
MOBILE REFUSE CONTAINERS 240L BINS	Per month ®		
Domestic Refuse:One removal per week per 240l container per month or part thereof	128.44	136.15	6%
Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof	770.60	816.84	6%
Business Refuse: One removal per week per 240l container per month or part threof	299.70	317.68	6%
Business Refuse:Daily removal per 240l container per month or part thereof	1,198.71	1,270.63	6%
Handling /Delivery Fees per container to be delivered	85.57	90.70	6%
Replacement of lost/damaged container (payable in advance if fault of user)	770.68	816.92	6%
BIN LINERS			
Business Refuse:one removal per week with maximum of one bin liner with a capacity of 851 per month or part thereof	105.26	111.58	6%
Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof	270.79	287.04	6%

1.5 Operating Expenditure Framework

The following table is a high level summary of the 2016/2017 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type										
Employee related costs	441,828	485,526	536,545	576,304	582,699	582,699	582,699	662,044	672,721	705,485
Remuneration of councillors	19,019	24,074	25,254	31,225	26,882	26,882	26,882	29,571	31,049	34,154
Debt impairment	28,533	221,290	221,886	109,675	109,675	109,675	109,675	114,239	123,393	132,430
Depreciation & asset impairment	242,282	269,485	229,643	298,154	298,154	298,154	298,154	298,154	313,062	331,532
Finance charges	45,421	38,049	43,110	56,035	56,514	56,514	56,514	52,094	48,467	34,429
Bulk purchases	607,052	657,955	700,135	851,312	848,222	848,222	848,222	932,674	975,694	1,058,800
Contracted services	165,825	175,811	195,885	222,537	248,943	248,943	248,943	252,312	263,536	266,336
Transfers and grants	32,510	25,462	43,097	39,939	50,097	50,097	50,097	57,571	58,742	62,067
Other expenditure	239,810	210,321	240,076	321,133	307,131	307,131	307,131	329,355	344,321	366,499
Repairs & maintenance	69,975	69,372	66,355	86,302	83,879	83,879	83,879	106,287	110,538	117,060
Total Expenditure	1,892,255	2,177,346	2,301,986	2,592,616	2,612,196	2,612,196	2,612,196	2,834,300	2,941,523	3,108,791

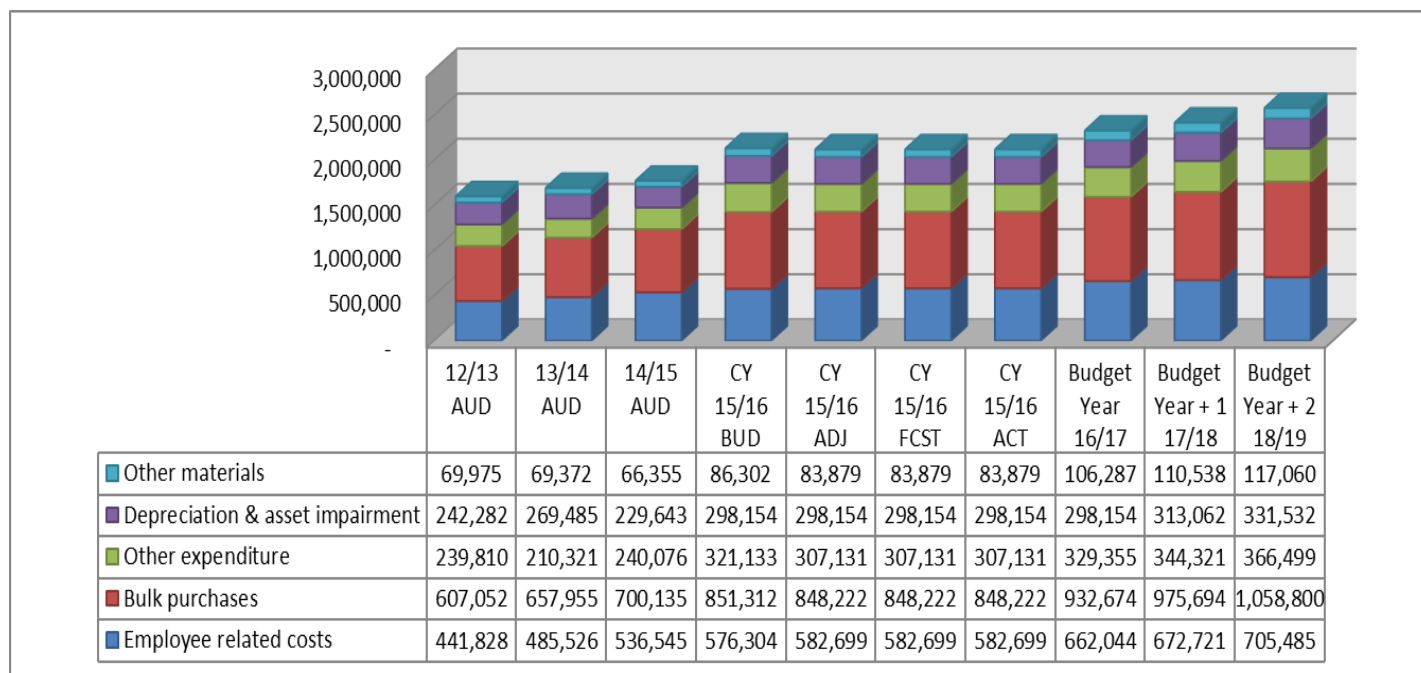
- The budgeted allocation for employee related costs for the 2016/17 financial year total R662 043 733, which equals 23 per cent of the total operating expenditure, Employee related cost overall will increase by 6.7% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:
 - 2015/16 Financial Year – an increase of 7 per cent;
 - 2016/17 Financial Year – an increase based on the average CPI percentage (5.7%) for the period 1 February 2015 until 31 January 2016, plus one percent (1%);
 - 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent
- The overall increase for employee related costs indicated an increase of 13.6 per cent, of which 6.7 percentage is for multi-year salary and wage collective agreement for the period 01 July 2015 to 30 June 2018 general increase whilst 2 per cent is notch increases and 4.9 per cent is for filling of vacancies.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.39548:15 December 2015) in this regard has been taken into account in compiling the City's budget and increase of 10% was factored in taking into consideration of increase number of councillors after 2016 elections.
- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2016/17 financial year this amount equates to R72 658 938 and increased to R87 457 042 by 2018/19. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of

asset consumption. Budget appropriations in this regard total R298 153 966 for the 2016/17 financial and equates to 10.5 per cent of the total operating expenditure.

- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R52 094 313 of operating expenditure excluding annual capital redemption of R33 813 833. Total loans acquired by the City will be R511 478 252.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**
- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2016/17 the appropriation against this group of expenditure is R106 286 709 which is 4 per cent of the total operating expenditure and continues to grow at 6 per cent over the MTREF.
- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2016/17 financial year, this group of expenditure totals R329 354 999 or 11.62 per cent of the total operating budget this includes non-cash items of about R111 713 304 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
 - ✓ Collection costs = R36 045 543
 - ✓ Election expenses = R1 705 600
 - ✓ Enterprise Development Program = R1 010 781
 - ✓ Incubator Program = R3 700 000
 - ✓ Cooperatives Initiative = R6 303 160
 - ✓ Establishment of Property Development Entity = R4 264 000
 - ✓ Settlement Fees & Legal Costs = R17 904 323
 - ✓ Transport Costs (Fuel & e-tags) = R16 852 938
 - ✓ Grants: Other Municipalities = R1 500 000
 - ✓ **Special Projects (Political Office) = R4 132 938**
 - ✓ **Special Projects (Other Depart) = R9 786 207**
 - IGR=R56 992
 - Disability Programme = R456 327
 - Corporate Support Services=R1 322 600
 - Parks Management = R211 154
 - OR Tambo Games=R2 506 912
 - Libraries Funding by Province = R77 139
 - HIV/Aids programmes=R3 093 134
 - Social Upliftment = R190 485
 - Heritage programmes=R200 000
 - Public Safety Awareness=R118 818
 - Rural Dev. CRDP = R1 516 402
 - Enterprise Development = R36 244
 - ✓ Other expenses = R114 436 204 (telephones & new service connections)

The following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.

Figure 7 Expenditure by major type for the 2016/2017 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2016/17 budget and MTREF provide about 10.13 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

Table 11 Operational repairs and maintenance

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Repairs and Maintenance by Expenditure Item										
Employee related costs	–	–	3,017	11,021	11,772	11,772	11,772	15,856	16,767	16,993
Other materials	47,210	63,681	57,647	52,402	64,472	64,472	64,472	82,339	85,234	91,060
Contracted Services	22,765	5,691	5,691	22,879	7,634	7,634	7,634	8,092	8,537	9,007
Other Expenditure	–	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	62,552	69,975	66,355	86,302	83,879	83,879	83,879	106,287	110,538	117,060

During the compilation of the 2016/2017 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2013/2014 financial year indicated an increase of 6 per cent when compared to audited outcome of 2014/15 financial year (R66 355 400). There is an improvement when one looked at the 2015/16 Adjustment budget of about 34 per cent if we can spend the whole amount of R83 878 602.

During the 2015/16 Adjustment Budget this allocation was adjusted slightly downwards by R2 422 969 or 2 per cent. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2016/17 equates to R106 286 709 increased by R22 408 108 and continues to grow at 4 per cent and 6 per cent respectively over the MTREF. In relation to the total operating expenditure budget, repairs and maintenance remains constant at 3.8, 3.8 and 3.8 per cent for the respective financial years of the MTREF.

National Treasury guidelines indicate that repairs & maintenance expenditure budget should be **8 per cent of the total value of the assets**. Mogale City total value of assets is R5 391 433 881 as per 2014/15 audited outcome, which means we need R431 314 710 to fund repairs & maintenance which is unaffordable for the City especially with high increase of bulk electricity and water purchases.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 12 Repairs and maintenance per asset class

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework	
			Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	242,282	267,571	229,643	298,154	298,154	298,154	298,154	313,062	331,532
Repairs and Maintenance by Asset Class	69,975	69,372	66,355	86,302	89,993	83,905	106,287	110,538	117,060
Infrastructure - Road transport	22,765	5,691	7,351	8,092	8,537	8,537	6,707	6,976	7,387
Infrastructure - Electricity	24,463	10,472	19,185	36,971	39,004	39,004	39,109	40,673	43,073
Infrastructure - Water	7,571	2,887	5,447	5,727	6,041	6,041	12,125	12,610	13,354
Infrastructure - Sanitation	10,348	9,482	9,202	9,644	10,174	10,174	16,993	17,672	18,715
Infrastructure - Other	3,555	6,039	2,998	5,115	4,341	4,341	6,414	6,671	7,064
Infrastructure	68,702	34,572	44,183	65,548	68,098	68,098	81,348	84,601	89,593
Community	6,137	6,189	6,806	7,951	8,388	2,300	8,660	9,007	9,538
Other assets	-4,864	28,612	15,366	12,803	13,507	13,507	16,279	16,930	17,929
TOTAL EXPENDITURE OTHER ITEMS	312,257	336,943	295,998	384,456	388,147	382,059	404,441	423,600	448,592
Renewal of Existing Assets as % of total capex	42.5%	61.9%	36.2%	35.6%	35.6%	35.6%	34.5%	31.6%	33.2%
Renewal of Existing Assets as % of deprecn"	58.1%	55.9%	62.6%	35.0%	45.8%	45.8%	38.0%	18.7%	34.2%
R&M as a % of PPE	1.3%	1.3%	1.2%	1.7%	1.7%	1.7%	2.0%	2.1%	2.3%
Renewal and R&M as a % of PPE	4.0%	4.0%	4.0%	3.0%	4.0%	4.0%	4.0%	3.0%	4.0%

For the 2016/17 financial year 77 per cent or R81 348 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 37 per cent (R39 109 million), followed by sanitation at 16 per cent (R16 993 million), other assets at 15 per cent (R16 279 million), water at 11 per cent (R12 125 million), community assets at 8 per cent or R8 660 million road infrastructure at 6 per cent (R6 707 million) of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2016/17 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 50.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2016/2017 Medium-term capital budget per standard classification

	Adjusted Budget	Percentage	2016/17 Budget Year	Percentage	2017/18 Budget Year	Percentage	2018/19 Budget Year	Percentage
Capital Expenditure - Standard								
Executive and council	6,851	2%	1,886	1%	-	0%	-	0%
Budget and treasury office	2,074	1%	4,000	1%	-	0%	0	0%
Corporate services	1,157	0%	15,671	5%	4,326	2%	-	0%
Community and social services	15,650	4%	11,902	4%	10,937	6%	2,700	1%
Sport and recreation	23,616	6%	7,008	2%	-	0%	0	0%
Public safety	-	0%	-	0%	-	0%	0	0%
Housing	-	0%	-	0%	-	0%	0	0%
Planning and development	72,160	19%	133,762	41%	41,721	23%	40,781	12%
Road transport	55,232	14%	43,838	13%	70,467	38%	136,103	40%
Environmental protection	22,051	6%	23,428	7%	22,833	12%	13,832	4%
Electricity	45,788	12%	2,000	1%	-	0%	49,500	15%
Water	72,437	19%	24,900	8%	-	0%	21,100	6%
Waste water management	57,341	15%	44,463	14%	35,000	19%	70,000	21%
Waste management	8,960	2%	8,610	3%	-	0%	0	0%
Other	321	0%	6,648	2%	-	0%	7,100	2%
Total Capital Expenditure	383,640		328,117		185,284		341,116	

The table above provides a breakdown of the capital budget to be spent per standard classification. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- o Construction of Housing Development Top Structure (Dr Molefi Sefularo in Hekpoort and Dr Nthato Motlana in Muldersdrift – R 86 752 000 funded by Human Settlement Development Grant from Gauteng Province,
- o NDPG Capital grant – R46 910 000,
- o Kagiso Cemetery Upgrading Phase 2 – R8 546 162 funded by own funds (R5 000 000) & MIG (R3 546 162),
- o Kagiso Regional Park Phase 2 – R2 846 737 funded by R2 846 737,
- o Munsieville Park Development – R1 946 807 funded by MIG,
- o Coronation Park Development – R7 241 940 funded by MIG,
- o West Haven Cemetery – R2 846 737 funded by MIG,
- o Luipaardsvlei Landfill site Phase 4 – R8 610 207 financed by MIG (R5 647 595) & own funding (R2 962 612);
- o Burgershoop MPCC Rehabilitation & Upgrade – R1 648 985 funded by MIG;
- o Kagiso Thusong Service Centre renovation – R3 530 780 funded by MIG,
- o Kagiso ECDC upgrade and extensions – R3 000 000 funded by MIG,
- o Sinqobile ECDC upgrade and extensions – R3 000 000 funded by MIG,
- o Muldersdrift Sports Complex – R1 200 000 m funded by MIG,
- o Upgrade of Johanna Botha Sports Complex (installation of flood lights & cable network) – R2 400 000 funded by own funds,
- o Upgrade or Rehabilitation of swimming pools (Kagiso & Azaadville) – R4 745 116 funded by MIG,
- o Chamdor/Leratong 2x40 MVA Transformers – R1 000 000 funded by own generated funds,
- o Speed Calming Measures – R500 000 funded by own generated funds,
- o Roads Resurfacing & Rehabilitation – R15 000 000 funded by own generated funds;
- o PR6 Kagiso Ext 3 Roads & Stormwater – R18 518 639 funded by MIG.
- o PR15 Western Rural Areas Roads and Stormwater – R7 339 203 funded by MIG,

- General Building Upgrade (Paul Kruger Community Hall) – R3 000 000 funded by own generated funds,
- Water Demand Management Software – R3 000 000 funded by own generated funds,
- Pre-Payment Water Meters Phase 3 – R10 000 000 funded by MIG,
- Bulk Water Meters - R10 000 000 to be funded by own generated funds with 1 per cent from water demand management tariff increase.
- Millsite Outfall Sewer – R 5 244 242 funded by own funds,
- Magaliesburg Water Care Works Phase 1 – R12 118 368 funded by MIG,
- Dr Sefularo Sewer Project – R2 000 000 funded by MIG.

Furthermore pages 70 to 72 contain a detail breakdown of the capital budget per project over the medium-term.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/2017 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 14 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	293 406	340 748	419 490	394 872	443 376	443 376	443 376	465 772	491 390	517 433
Service charges	1 068 153	1 122 800	1 221 446	1 403 834	1 352 828	1 352 828	1 352 828	1 465 593	1 486 473	1 793 566
Investment revenue	13 537	12 624	17 348	6 000	4 854	4 854	4 854	2 040	2 152	2 266
Transfers recognised - operational	239 980	238 158	250 762	274 720	274 258	274 258	274 258	305 520	339 908	359 390
Other own revenue	122 076	295 055	274 225	170 095	187 890	187 890	187 890	120 967	128 225	135 021
Total Revenue (excluding capital transfers and contributions)	1 737 150	2 009 385	2 183 271	2 249 521	2 263 205	2 263 205	2 263 205	2 359 892	2 448 148	2 807 676
Employee costs	441 828	485 486	536 545	576 304	582 699	582 699	582 699	662 044	672 721	705 485
Remuneration of councillors	19 019	24 074	25 254	31 225	26 882	26 882	26 882	29 571	31 049	34 154
Depreciation & asset impairment	242 282	267 571	229 643	298 154	298 154	298 154	298 154	298 154	313 062	331 532
Finance charges	45 421	55 300	43 110	56 035	56 514	56 514	56 514	52 094	48 467	34 429
Materials and bulk purchases	677 027	727 328	766 490	937 613	932 101	932 101	932 101	1 038 961	1 086 232	1 175 860
Transfers and grants	32 510	25 462	43 097	64 439	54 117	54 117	54 117	59 071	60 302	63 719
Other expenditure	434 167	592 116	657 847	629 304	661 729	661 729	661 729	694 406	729 691	763 613
Total Expenditure	1 892 255	2 177 338	2 301 986	2 593 075	2 612 196	2 612 196	2 612 196	2 834 300	2 941 523	3 108 791
Surplus/(Deficit)	(155 104)	(167 952)	(118 715)	(343 554)	(348 990)	(348 990)	(348 990)	(474 408)	(493 376)	(301 115)
Transfers recognised - capital	109 609	102 467	99 243	141 157	151 919	151 919	151 919	248 876	180 958	180 841
Contributions recognised - capital & contributed	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	(45 495)	(65 485)	(19 472)	(202 397)	(197 071)	(197 071)	(197 071)	(225 532)	(312 418)	(120 275)
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	(45 495)	(65 485)	(19 472)	(202 397)	(197 071)	(197 071)	(197 071)	(225 532)	(312 418)	(120 275)
Capital expenditure & funds sources										
Capital expenditure	331 533	241 823	396 939	293 360	383 640	383 640	383 640	328 117	185 284	341 116
Transfers recognised - capital	124 636	105 281	99 243	141 157	151 919	151 919	151 919	248 876	180 958	180 841
Public contributions & donations	—	—	1 500	8 500	19 202	19 202	19 202	—	—	—
Borrowing	167 773	23 221	202 175	37 269	67 269	67 269	67 269	—	—	—
Internally generated funds	39 124	113 321	94 020	106 434	145 250	145 250	145 250	79 241	4 326	160 275
Total sources of capital funds	331 533	241 823	396 939	293 360	383 640	383 640	383 640	328 117	185 284	341 116
Financial position										
Total current assets	537 806	527 002	645 327	433 189	438 860	438 860	438 860	543 039	563 028	591 237
Total non current assets	5 795 898	5 791 091	6 003 850	5 778 714	5 868 994	5 868 994	5 868 994	5 905 190	5 788 798	5 810 386
Total current liabilities	580 479	632 744	751 643	514 508	519 202	519 202	519 202	541 358	634 069	577 909
Total non current liabilities	521 183	514 319	744 946	712 127	712 127	712 127	712 127	744 946	774 743	805 733
Community wealth/Equity	5 232 042	5 171 030	5 152 589	4 985 269	5 076 526	5 076 526	5 076 526	5 161 926	4 943 014	5 017 982
Cash flows										
Net cash from (used) operating	207 386	259 954	250 453	282 892	214 228	214 228	214 228	199 888	289 924	375 839
Net cash from (used) investing	(323 911)	(220 893)	(398 072)	(243 360)	(333 640)	(333 640)	(333 640)	(328 117)	(185 284)	(341 116)
Net cash from (used) financing	162 914	(32 519)	216 768	(41 173)	(41 346)	(41 346)	(41 346)	(33 814)	(106 223)	(28 949)
Cash/cash equivalents at the year end	90 163	96 705	165 853	217	5 024	5 024	5 024	3 740	2 157	7 931
Cash backing/surplus reconciliation										
Cash and investments available	137 271	150 639	227 461	63 776	68 583	68 583	68 583	73 533	74 741	83 419
Application of cash and investments	178 309	262 110	351 331	63 229	44 411	44 411	44 411	22 655	(14 612)	18 780
Balance - surplus (shortfall)	(41 038)	(111 471)	(123 871)	547	24 172	24 172	24 172	50 878	89 353	64 639
Asset management										
Asset register summary (WDV)	5 748 171	5 736 537	5 940 687	5 715 155	5 805 435	5 805 435	5 835 398	5 835 398	5 716 214	5 734 898
Depreciation & asset impairment	242 282	267 571	229 643	298 154	298 154	298 154	298 154	298 154	313 062	331 532
Renewal of Existing Assets	140 819	149 664	143 807	104 319	136 573	136 573	136 573	113 198	58 549	113 257
Repairs and Maintenance	69 975	69 372	66 355	86 302	89 993	83 905	106 287	106 287	110 538	117 060
Free services										
Cost of Free Basic Services provided	96 200	2 018	71 162	126 318	126 318	126 318	133 897	133 897	141 931	141 931
Revenue cost of free services provided	166 085	179 704	209 196	187 711	214 454	214 454	214 504	214 504	225 252	237 608
Households below minimum service level										
Water:	5	8	10	8	8	8	8	8	7	7
Sanitation/sewage:	1	7	6	5	5	5	5	5	4	4
Energy:	6	6	6	11	11	11	10	10	9	9
Refuse:	—	24	24	22	22	22	21	21	20	20

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		357,856	469,837	568,824	483,796	539,561	539,561	559,326	594,029	625,917
Executive and council		1,776	3,149	3,347	4,646	2,820	2,820	4,876	5,440	5,812
Budget and treasury office		349,993	452,905	556,506	473,941	530,940	530,940	548,326	582,097	613,269
Corporate services		6,087	13,783	8,971	5,210	5,802	5,802	6,124	6,491	6,835
<i>Community and public safety</i>		155,902	269,610	241,319	194,075	205,011	205,011	166,972	183,754	191,088
Community and social services		124,525	79,298	89,139	97,819	106,590	106,590	117,684	130,921	136,649
Sport and recreation		20,208	19,659	16,429	22,181	20,609	20,609	21,446	23,320	23,362
Public safety		11,089	170,593	135,698	24,017	27,762	27,762	27,789	29,456	31,018
Housing		80	60	54	50,059	50,051	50,051	53	57	60
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		76,510	77,737	70,413	70,399	98,289	98,289	187,533	96,778	103,067
Planning and development		4,175	16,095	15,791	47,212	43,710	43,710	137,314	45,592	44,857
Road transport		66,325	60,880	54,483	22,907	54,578	54,578	50,219	51,186	58,210
Environmental protection		6,010	762	138	281	-	-	-	-	-
<i>Trading services</i>		1,256,479	1,294,678	1,403,718	1,642,406	1,571,929	1,571,929	1,694,937	1,889,269	2,068,445
Electricity		751,573	762,267	821,986	962,963	909,083	909,083	964,935	1,081,955	1,210,165
Water		203,559	223,700	238,918	288,256	293,526	293,526	313,054	344,621	377,209
Waste water management		155,275	144,789	175,874	181,883	189,052	189,052	225,452	255,968	263,247
Waste management		146,071	163,921	166,940	209,304	180,268	180,268	191,496	206,724	217,824
<i>Other</i>	4	13	-	12	-	335	335	-	-	-
Total Revenue - Standard	2	1,846,760	2,111,861	2,284,285	2,390,677	2,415,125	2,415,125	2,608,768	2,763,829	2,988,517
Expenditure - Standard										
<i>Governance and administration</i>		515,546	513,446	611,222	627,978	636,032	636,032	670,561	679,278	689,269
Executive and council		64,192	79,969	85,736	119,851	102,975	102,975	105,708	110,805	118,278
Budget and treasury office		283,099	240,871	328,780	270,020	288,241	288,241	306,908	314,021	307,783
Corporate services		168,255	192,607	196,705	238,107	244,816	244,816	257,945	254,452	263,208
<i>Community and public safety</i>		221,622	387,582	359,972	350,342	371,868	371,868	407,317	423,874	445,689
Community and social services		37,588	42,474	43,254	61,542	64,742	64,742	77,982	80,312	83,840
Sport and recreation		66,166	83,341	98,545	96,851	100,712	100,712	109,363	114,305	120,664
Public safety		110,481	253,375	209,688	182,493	192,689	192,689	205,130	213,789	224,871
Housing		7,148	8,094	8,254	9,186	13,458	13,458	14,549	15,151	15,966
Health		238	298	230	270	268	268	292	318	348
<i>Economic and environmental services</i>		202,227	178,048	176,717	240,690	232,175	232,175	243,555	254,304	268,725
Planning and development		25,187	26,794	33,109	49,406	42,004	42,004	46,490	47,906	50,452
Road transport		170,234	149,017	142,578	188,921	188,207	188,207	194,644	203,876	215,601
Environmental protection		6,806	2,237	1,030	2,363	1,965	1,965	2,422	2,523	2,671
<i>Trading services</i>		952,250	1,097,463	1,152,182	1,373,291	1,370,284	1,370,284	1,510,887	1,582,026	1,702,959
Electricity		553,218	624,849	627,995	782,154	771,639	771,639	855,111	899,583	980,004
Water		237,615	268,775	293,647	328,676	337,418	337,418	366,966	382,056	405,075
Waste water management		65,757	79,201	87,508	113,491	116,334	116,334	132,583	139,012	147,721
Waste management		95,660	124,638	143,031	148,970	144,893	144,893	156,228	161,375	170,158
<i>Other</i>	4	610	807	1,894	773	1,836	1,836	1,980	2,041	2,150
Total Expenditure - Standard	3	1,892,255	2,177,346	2,301,986	2,593,075	2,612,196	2,612,196	2,834,300	2,941,523	3,108,791
Surplus/(Deficit) for the year		(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions such as that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Revenue by Vote	1									
Vote 1 - POLITICAL OFFICE		2	953	641	—	735	735	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		—	—	909	—	—	—	—	—	—
Vote 3 - CHIEF OPERATING OFFICER		1,774	2,196	1,797	4,646	2,085	2,085	4,876	5,440	5,812
Vote 4 - CORPORATE SUPPORT SERVICES		5,194	13,715	8,935	5,272	5,852	5,852	6,177	6,548	6,895
Vote 5 - MUNICIPAL FINANCIAL SERVICES		349,993	452,905	556,506	473,941	524,273	524,273	548,326	582,097	613,269
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		175,520	176,423	184,425	192,947	194,007	194,007	213,797	230,861	242,160
Vote 7 - SOCIAL SERVICES		157,314	279,199	246,254	153,930	163,638	163,638	167,048	183,337	191,728
Vote 8 - ECONOMIC SERVICES		4,300	16,201	15,935	97,306	94,148	94,148	137,422	45,707	44,978
Vote 9 - INFRASTRUCTURE SERVICES		1,152,661	1,170,269	1,268,884	1,462,636	1,430,388	1,430,388	1,531,121	1,709,840	1,883,674
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—
Total Revenue by Vote	2	1,846,760	2,111,861	2,284,285	2,390,678	2,415,125	2,415,125	2,608,768	2,763,829	2,988,517
Expenditure by Vote to be appropriated	1									
Vote 1 - POLITICAL OFFICE		48,744	58,491	61,989	68,904	72,641	72,641	75,176	78,680	84,360
Vote 2 - MUNICIPAL MANAGERS OFFICE		9,630	13,389	14,843	39,422	20,305	20,305	19,911	20,845	21,936
Vote 3 - CHIEF OPERATING OFFICER		13,498	11,566	18,952	22,096	20,875	20,875	23,590	24,806	26,267
Vote 4 - CORPORATE SUPPORT SERVICES		118,870	122,622	144,089	182,318	191,224	191,224	194,261	187,530	192,276
Vote 5 - MUNICIPAL FINANCIAL SERVICES		283,099	240,870	328,781	270,020	286,089	286,089	306,908	314,021	307,783
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		153,531	178,974	197,905	215,519	212,488	212,488	229,590	237,813	250,804
Vote 7 - SOCIAL SERVICES		201,584	353,971	316,160	293,939	310,057	310,057	346,842	361,082	379,390
Vote 8 - ECONOMIC SERVICES		32,292	35,664	42,898	58,448	56,882	56,882	62,456	64,514	67,950
Vote 9 - INFRASTRUCTURE SERVICES		1,031,007	1,161,799	1,176,371	1,442,409	1,441,635	1,441,635	1,575,567	1,652,232	1,778,025
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—
Total Expenditure by Vote	2	1,892,255	2,177,346	2,301,986	2,593,075	2,612,196	2,612,196	2,834,300	2,941,523	3,108,791
Surplus/(Deficit) for the year	2	(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17 Surplus/ (Deficit) calculations for the trading services

Standard Classification Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Electricity:									
Total Revenue (incl capital grants and transfers)	751,573	762,198	821,986	962,963	909,083	909,083	964,935	1,081,955	1,210,165
Operating Expenditure	553,218	624,341	627,995	782,154	771,639	771,639	855,111	899,583	980,004
Surplus/(Deficit) for the year	198,355	137,856	193,991	180,808	137,444	137,444	109,824	182,372	230,160
Percentage Surplus	26%	18%	24%	19%	15%	15%	11%	17%	19%
Water:									
Total Revenue(including capital grants & transfers)	203,559	223,631	238,918	288,256	293,526	293,526	313,054	344,621	377,209
Operating Expenditure	237,615	268,267	293,647	328,676	337,418	337,418	366,966	382,056	405,075
Surplus/(deficit) for the year	-34,055	-44,636	-54,730	-40,420	-43,892	-43,892	-53,912	-37,435	-27,866
Percentage Surplus	-17%	-20%	-23%	-14%	-15%	-15%	-17%	-11%	-7%

3. The electricity trading surplus is increasing over the 2016/17 MTREF from 11 per cent or R109 824 million in 2016/17 financial year to 19 per cent during 2018/19. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 26 per cent during 2012/13 to 19 per cent in 2018/19.
4. Water has experienced a deficit from 2012/13 of about 17 per cent and decreases to 7 per cent during 2018/19. The deficit is decreasing drastically the Water Demand Management Strategy is starting to yield a positive results.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	272,542	308,723	394,495	368,044	420,617	420,617	420,617	441,648	465,939	490,634
Property rates - penalties & collection charges		20,863	32,026	24,995	26,828	22,759	22,759	22,759	24,124	25,451	26,800
Service charges - electricity revenue	2	695,834	723,268	775,086	904,354	844,987	844,987	844,987	911,403	1,022,595	1,147,351
Service charges - water revenue	2	187,182	193,741	216,547	257,065	260,054	260,054	260,054	286,060	314,666	346,132
Service charges - sanitation revenue	2	94,007	105,155	127,551	132,037	136,912	136,912	136,912	150,604	159,842	169,411
Service charges - refuse revenue	2	91,131	100,636	104,034	110,378	110,874	110,874	110,874	117,526	124,094	130,671
Service charges - other		–	–	–							
Rental of facilities and equipment		2,821	2,969	3,366	3,447	3,250	3,250	3,250	3,446	3,652	385
Interest earned - external investments		13,537	12,624	17,348	6,000	4,854	4,854	4,854	2,040	2,152	2,266
Interest earned - outstanding debtors		10,349	14,518	22,291	34,237	39,157	39,157	39,157	41,507	43,997	46,329
Dividends received		–	34	19		–	–	–	–	–	–
Fines		10,469	170,003	134,577	23,522	27,000	27,000	27,000	27,000	28,620	30,137
Licences and permits		17	28	19	23	28	28	28	29	31	33
Agency services		24,950	21,408	22,184	22,692	22,184	22,184	22,184	22,184	23,515	24,762
Transfers recognised - operational		239,980	238,158	250,762	274,720	274,258	274,258	274,258	305,520	339,908	359,390
Other revenue	2	73,366	79,784	89,221	36,173	46,270	46,270	46,270	26,801	28,409	33,376
Gains on disposal of PPE		104	6,311	2,548	50,000	50,000	50,000	50,000	–	–	–
Total Revenue (excluding capital transfers and contributions)		1,737,150	2,009,385	2,185,042	2,249,521	2,263,205	2,263,205	2,263,205	2,359,892	2,582,872	2,807,676
Expenditure By Type											
Employee related costs	2	441,828	485,486	536,545	576,304	582,699	582,699	582,699	662,044	672,721	705,485
Remuneration of councillors		19,019	24,074	25,254	31,225	26,882	26,882	26,882	29,571	31,049	34,154
Debt impairment	3	28,533	221,318	227,075	109,675	109,675	109,675	109,675	114,239	123,393	132,430
Depreciation & asset impairment	2	242,282	267,571	229,643	298,154	298,154	298,154	298,154	298,154	313,062	331,532
Finance charges		45,421	55,300	43,110	56,035	56,514	56,514	56,514	52,094	48,467	34,429
Bulk purchases	2	607,052	657,955	700,135	851,312	848,222	848,222	848,222	932,674	975,694	1,058,800
Other materials	8	69,975	69,372	66,355	86,302	83,879	83,879	83,879	106,287	110,538	117,060
Contracted services		165,825	175,811	195,885	220,309	246,714	246,714	246,714	252,312	263,536	266,336
Transfers and grants		32,510	25,462	43,097	64,439	54,117	54,117	54,117	59,071	60,302	63,719
Other expenditure	4, 5	239,809	194,987	234,888	299,320	305,339	305,339	305,339	327,855	342,761	364,847
Loss on disposal of PPE											
Total Expenditure		1,892,255	2,177,338	2,301,986	2,593,075	2,612,196	2,612,196	2,612,196	2,834,300	2,941,523	3,108,791
Surplus/(Deficit)											
Transfers recognised - capital		109,609	102,467	99,243	141,157	151,919	151,919	151,919	248,876	180,958	180,841
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)
Taxation											
Surplus/(Deficit) after taxation		(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(45,495)	(65,485)	(17,701)	(202,397)	(197,071)	(197,071)	(197,071)	(225,532)	(177,694)	(120,275)

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfers is R2.4 billion in 2016/17 and escalates to R2.8 billion by 2018/19. This represents a year-on-year increase of 4.27 per cent for the 2016/17 financial year and increases to 18.97 per cent for the 2018/19 financial year.
2. Revenue to be generated from property rates is R441 648 million or increase of 5 per cent during 2016/17 financial year and increases to R490 634 million by 2018/19 which represents 11 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.5 billion for the 2016/17 financial year and increasing to R1.8 billion by 2018/19. For the 2016/17 financial year services charges amount to 62 per cent of the total revenue base and grows by 2 per cent per annum over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF at 12 per cent respectively.

5. The following graph illustrates the major expenditure items per type.

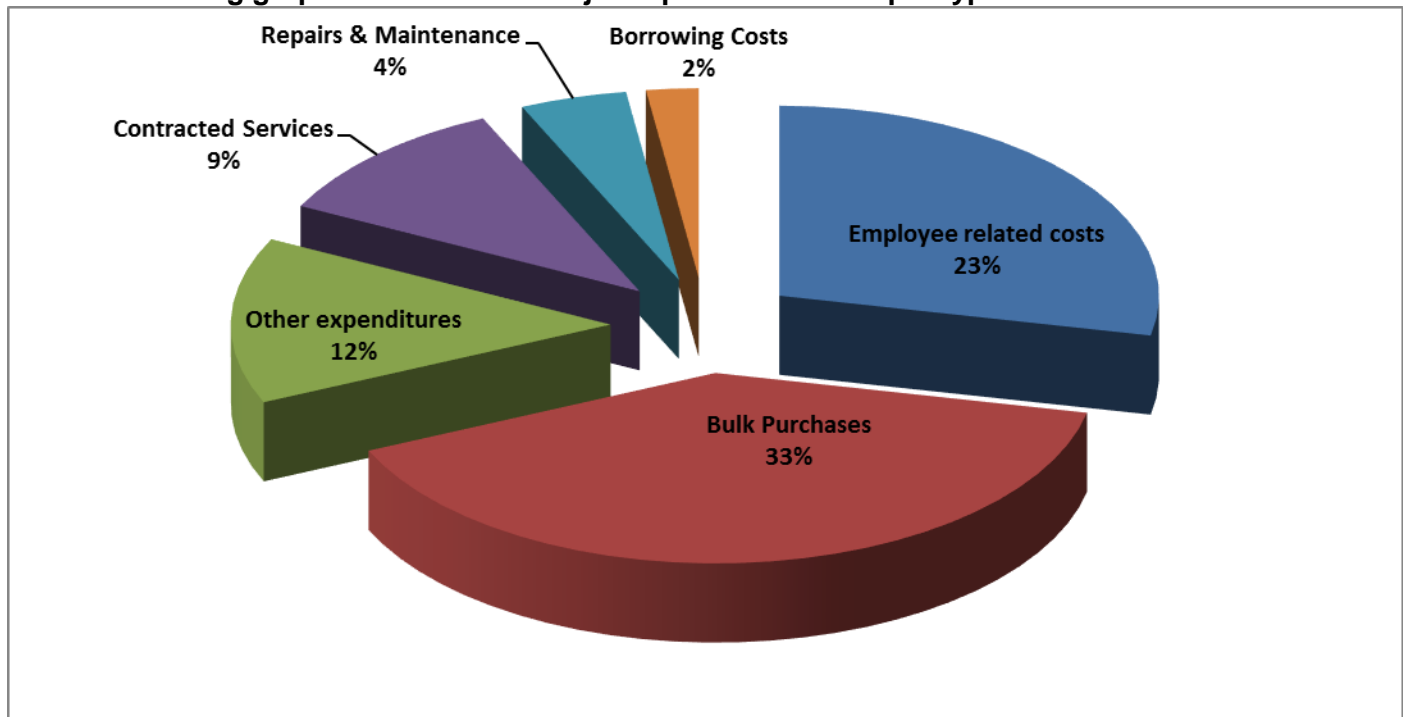


Figure 8 Expenditure by major type

6. Bulk purchases have significantly increased from 2012/13 to 2016/17 period escalating from R607 052 million to R932 674 million an **increase of 54 per cent** by Eskom and Rand Water over seven years.
7. Employee related costs, bulk purchases and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
8. The following graph illustrates the major expenditure items per type (over seven years).

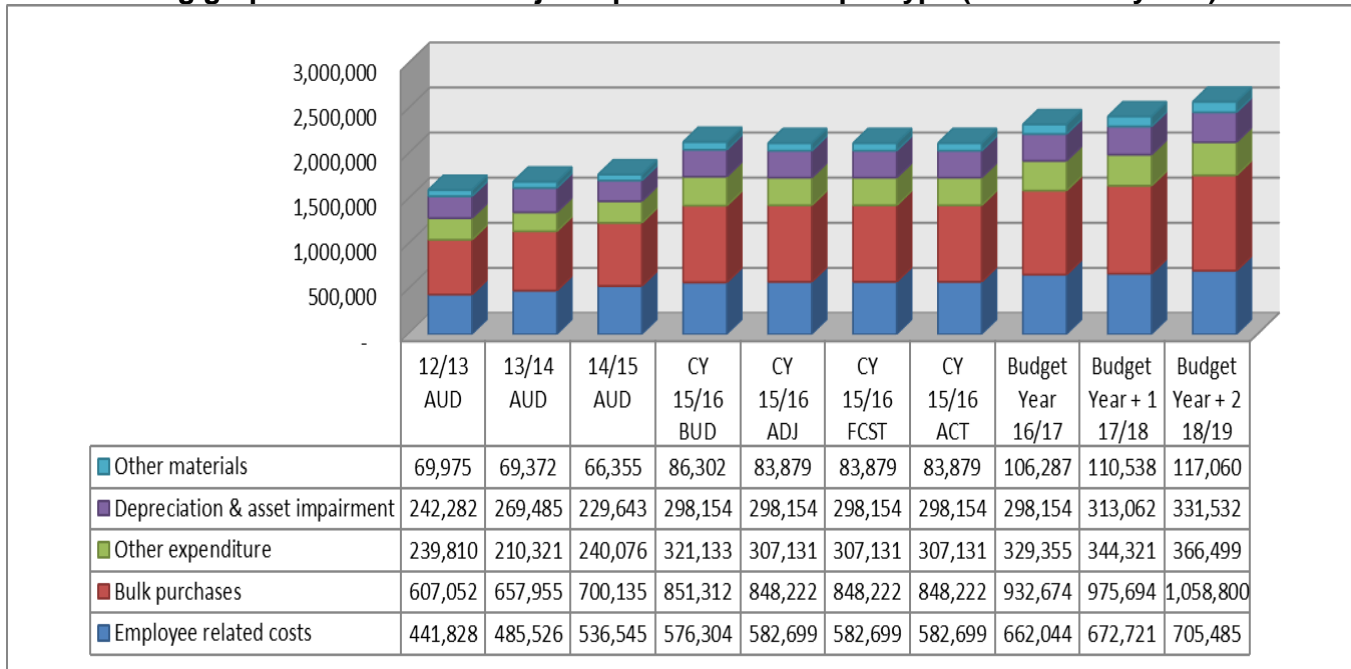


Figure 9 Expenditure by major type (over seven years)

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - POLITICAL OFFICE		—	—	—	—	—	—	—	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		—	—	—	—	—	—	—	—	—	—
Vote 3 - CHIEF OPERATING OFFICER		—	124	5	1,000	30	30	30	—	—	—
Vote 4 - CORPORATE SUPPORT SERVICES		—	—	—	—	—	—	—	—	—	—
Vote 5 - MUNICIPAL FINANCIAL SERVICES		—	—	—	—	—	—	—	—	—	—
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		23,708	17,169	34,561	25,088	22,560	22,560	22,560	12,935	22,833	13,832
Vote 7 - SOCIAL SERVICES		7,562	24,863	10,379	19,836	15,324	15,324	15,324	6,700	10,937	2,700
Vote 8 - ECONOMIC SERVICES		24,763	10,011	12,553	67,260	64,260	64,260	64,260	46,910	41,721	40,781
Vote 9 - INFRASTRUCTURE SERVICES		202,191	156,714	235,223	132,557	202,815	202,815	202,815	48,518	105,467	166,865
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—
Capital multi-year expenditure sub-total	7	258,224	208,881	292,721	245,740	304,989	304,989	304,989	115,064	180,958	224,178
Single-year expenditure to be appropriated	2										
Vote 1 - POLITICAL OFFICE		239	611	357	—	700	700	700	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		79	—	920	—	100	100	100	10	—	—
Vote 3 - CHIEF OPERATING OFFICER		2	1	168	—	—	—	—	1,876	—	—
Vote 4 - CORPORATE SUPPORT SERVICES		3,750	2,802	23,923	930	7,179	7,179	7,179	15,671	4,326	—
Vote 5 - MUNICIPAL FINANCIAL SERVICES		826	1,436	2,791	1,000	2,074	2,074	2,074	4,000	—	—
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		2,976	2,831	14,069	4,152	8,452	8,452	8,452	19,103	—	—
Vote 7 - SOCIAL SERVICES		32,320	17,104	13,097	16,038	23,942	23,942	23,942	12,210	—	—
Vote 8 - ECONOMIC SERVICES		521	—	17,659	6,000	7,900	7,900	7,900	86,852	—	—
Vote 9 - INFRASTRUCTURE SERVICES		32,597	8,158	31,235	19,500	28,305	28,305	28,305	73,330	—	116,938
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—
Capital single-year expenditure sub-total		73,309	32,943	104,218	47,620	78,652	78,652	78,652	213,053	4,326	116,938
Total Capital Expenditure - Vote		331,533	241,823	396,939	293,360	383,640	383,640	383,640	328,117	185,284	341,116
Capital Expenditure - Standard											
Governance and administration		4,895	4,974	28,163	2,930	10,083	10,083	10,083	21,557	4,326	—
Executive and council		2,859	3,176	24,186	1,000	6,851	6,851	6,851	1,886	—	—
Budget and treasury office		881	1,436	2,791	1,000	2,074	2,074	2,074	4,000	—	—
Corporate services		1,155	362	1,186	930	1,157	1,157	1,157	15,671	4,326	—
Community and public safety		39,907	41,967	23,476	35,874	39,266	39,266	39,266	18,910	10,937	2,700
Community and social services		26,177	5,346	5,678	12,272	15,650	15,650	15,650	11,902	10,937	2,700
Sport and recreation		8,460	36,596	17,623	23,602	23,616	23,616	23,616	7,008	—	—
Public safety		5,244	25	174	—	—	—	—	—	—	—
Housing		26	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
Economic and environmental services		95,554	73,562	130,605	149,240	149,444	149,444	149,444	201,029	135,021	190,716
Planning and development		25,258	10,011	44,711	73,260	72,160	72,160	72,160	133,762	41,721	40,781
Road transport		49,011	52,214	62,449	58,001	55,232	55,232	55,232	43,838	70,467	136,103
Environmental protection		21,284	11,336	23,446	17,979	22,051	22,051	22,051	23,428	22,833	13,832
Trading services		183,383	117,909	209,974	105,316	184,527	184,527	184,527	79,973	35,000	140,600
Electricity		96,073	54,491	82,315	37,236	45,788	45,788	45,788	2,000	—	49,500
Water		22,459	29,447	87,634	33,401	72,437	72,437	72,437	24,900	—	21,100
Waste water management		59,452	25,307	29,340	23,419	57,341	57,341	57,341	44,463	35,000	70,000
Waste management		5,400	8,664	10,686	11,260	8,960	8,960	8,960	8,610	—	—
Other		7,793	3,412	4,721	321	321	321	321	6,648	—	7,100
Total Capital Expenditure - Standard	3	331,533	241,823	396,939	293,360	383,640	383,640	383,640	328,117	185,284	341,116
Funded by:											
National Government		105,073	99,782	95,478	136,636	137,504	137,504	137,504	161,424	178,258	178,141
Provincial Government		18,663	3,314	3,765	4,521	7,749	7,749	7,749	87,452	2,700	2,700
District Municipality		900	2,185	—	—	6,667	6,667	6,667	—	—	—
Other transfers and grants		—	—	—	—	—	—	—	—	—	—
Transfers recognised - capital	4	124,636	105,281	99,243	141,157	151,919	151,919	151,919	248,876	180,958	180,841
Public contributions & donations	5			1,500	8,500	19,202	19,202	19,202			
Borrowing	6	167,773	23,221	202,175	37,269	67,269	67,269	67,269			
Internally generated funds		39,124	113,321	94,020	106,434	145,250	145,250	145,250	79,241	4,326	160,275
Total Capital Funding	7	331,533	241,823	396,939	293,360	383,640	383,640	383,640	328,117	185,284	341,116

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2016/17, R115 064 million has been allocated to capital budget of which R79 241 million is funded from own generated revenue representing 24 per cent of the total capital budget. This allocation increases to R180 958 million during 2017/18 and then increases to R224 178 million during 2018/19.
3. Single-year capital expenditure has been appropriated at R213 053 million for the 2016/17 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national & provincial grants and internally generated funds to be raised during 2016/17 financial year. For 2016/17, capital transfers totals R248 876 million or 76 per cent and decreases to R180 841 million by 2018/19 (53 per cent). Internally generated funding during 2015/16 is appropriated to R145 250 million or 38 per cent of total capital budget, then proposed budget are R79 241 million, R4 326 million and R160 275 million for each of the respective financial years of the MTREF.

Table 20 MBRR Table A6 - Budgeted Financial Position**GT481 Mogale City - Table A6 Budgeted Financial Position**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		33,422	27,232	31,209	217	5,024	5,024	5,024	3,740	2,157	7,931
Call investment deposits	1	56,742	69,473	134,644	—	—	—	—	—	—	—
Consumer debtors	1	394,029	360,807	464,122	362,222	362,222	362,222	362,222	464,122	482,687	501,995
Other debtors		42,451	55,433	192	56,455	56,455	56,455	56,455	56,455	58,714	61,062
Current portion of long-term receivables		—	—	—	—	—	—	—	—	—	—
Inventory	2	11,163	14,058	15,159	14,295	15,159	15,159	15,159	18,721	19,470	20,249
Total current assets		537,806	527,002	645,327	433,189	438,860	438,860	438,860	543,039	563,028	591,237
Non current assets											
Long-term receivables		—	—	—	—	—	—	—	—	—	—
Investments		47,108	53,935	61,608	63,559	63,559	63,559	63,559	69,793	72,584	75,488
Investment property		480,517	502,512	528,388	502,512	504,512	504,512	504,512	504,512	504,512	504,512
Investment in Associate		—	—	—	—	—	—	—	—	—	—
Property, plant and equipment	3	5,266,511	5,229,164	5,391,434	5,195,906	5,283,955	5,283,955	5,283,955	5,305,518	5,182,008	5,200,692
Agricultural		—	—	—	—	—	—	—	—	—	—
Biological		—	—	—	—	—	—	—	—	—	—
Intangible		1,143	4,860	20,865	16,737	16,968	16,968	16,968	25,368	29,694	29,694
Other non-current assets		620	620	1,556	—	—	—	—	—	—	—
Total non current assets		5,795,898	5,791,091	6,003,850	5,778,714	5,868,994	5,868,994	5,868,994	5,905,190	5,788,798	5,810,386
TOTAL ASSETS		6,333,705	6,318,093	6,649,177	6,211,903	6,307,854	6,307,854	6,307,854	6,448,229	6,351,826	6,401,623
LIABILITIES											
Current liabilities											
Bank overdraft	1	—	—	—	—	—	—	—	—	—	—
Borrowing	4	21,945	23,154	41,346	33,684	33,684	33,684	33,684	33,814	106,223	28,949
Consumer deposits		39,458	45,609	50,542	46,667	50,542	50,542	50,542	63,307	65,839	68,473
Trade and other payables	4	509,300	551,967	645,670	420,891	420,891	420,891	420,891	430,152	447,358	465,253
Provisions		9,776	12,013	14,085	13,266	14,085	14,085	14,085	14,085	14,648	15,234
Total current liabilities		580,479	632,744	751,643	514,508	519,202	519,202	519,202	541,358	634,069	577,909
Non current liabilities											
Borrowing		346,623	321,818	519,153	517,140	517,140	517,140	517,140	519,153	539,920	561,516
Provisions		174,561	192,501	225,792	194,987	194,987	194,987	194,987	225,792	234,824	244,217
Total non current liabilities		521,183	514,319	744,946	712,127	712,127	712,127	712,127	744,946	774,743	805,733
TOTAL LIABILITIES		1,101,662	1,147,063	1,496,588	1,226,634	1,231,328	1,231,328	1,231,328	1,286,303	1,408,812	1,383,642
NET ASSETS	5	5,232,042	5,171,030	5,152,589	4,985,269	5,076,526	5,076,526	5,076,526	5,161,926	4,943,014	5,017,982
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5,225,813	5,162,150	5,142,198	4,974,290	5,065,547	5,065,547	5,065,547	5,150,198	4,930,817	5,005,297
Reserves	4	6,229	8,880	10,391	10,979	10,979	10,979	10,979	11,728	12,197	12,685
TOTAL COMMUNITY WEALTH/EQUITY	5	5,232,042	5,171,030	5,152,589	4,985,269	5,076,526	5,076,526	5,076,526	5,161,926	4,943,014	5,017,982

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash

position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement**GT481 Mogale City - Table A7 Budgeted Cash Flows**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		322,147	375,912	370,073	380,150	425,641	425,641	425,641	447,141	476,648	501,910
Service charges		906,390	952,969	1,032,472	1,350,542	1,302,078	1,302,078	1,302,078	1,410,600	1,575,563	1,743,065
Other revenue		88,261	166,424	121,678	194,402	283,756	283,756	283,756	79,460	84,228	88,692
Government - operating	1	224,377	233,575	266,401	274,720	274,258	274,258	274,258	305,520	339,908	359,390
Government - capital	1	120,383	109,235	99,243	141,157	151,919	151,919	151,919	248,876	180,958	180,841
Interest		23,886	27,142	17,329	40,237	44,011	44,011	44,011	43,547	46,149	48,595
Dividends			34	19					-	-	-
Payments											
Suppliers and employees		(1,400,128)	(1,524,575)	(1,613,651)	(1,977,841)	(2,156,324)	(2,156,324)	(2,156,324)	(2,224,090)	(2,304,761)	(2,448,506)
Finance charges		(45,421)	(55,300)	(43,110)	(56,035)	(56,514)	(56,514)	(56,514)	(52,094)	(48,467)	(34,429)
Transfers and Grants	1	(32,510)	(25,462)	-	(64,439)	(54,597)	(54,597)	(54,597)	(59,071)	(60,302)	(63,719)
NET CASH FROM/(USED) OPERATING ACTIVITIES		207,386	259,954	250,453	282,892	214,228	214,228	214,228	199,888	289,924	375,839
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	1,161		50,000	50,000	50,000	50,000	-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(323,911)	(222,054)	(398,072)	(293,360)	(383,640)	(383,640)	(383,640)	(328,117)	(185,284)	(341,116)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(323,911)	(220,893)	(398,072)	(243,360)	(333,640)	(333,640)	(333,640)	(328,117)	(185,284)	(341,116)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		190,994	-	239,500					-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(28,080)	(32,519)	(22,732)	(41,173)	(41,346)	(41,346)	(41,346)	(33,814)	(106,223)	(28,949)
NET CASH FROM/(USED) FINANCING ACTIVITIES		162,914	(32,519)	216,768	(41,173)	(41,346)	(41,346)	(41,346)	(33,814)	(106,223)	(28,949)
NET INCREASE/ (DECREASE) IN CASH HELD		46,388	6,541	69,149	(1,641)	(160,758)	(160,758)	(160,758)	(162,042)	(1,583)	5,775
Cash/cash equivalents at the year begin:	2	43,775	90,163	96,705	1,858	165,782	165,782	165,782	165,782	3,740	2,157
Cash/cash equivalents at the year end:	2	90,163	96,705	165,853	217	5,024	5,024	5,024	3,740	2,157	7,931

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	90,163	96,705	165,853	217	5,024	5,024	5,024	3,740	2,157	7,931
Other current investments > 90 days		0	0	0	0	0	0	0	-	-	-
Non current assets - Investments	1	47,108	53,935	61,608	63,559	63,559	63,559	63,559	69,793	72,584	75,488
Cash and investments available:		137,271	150,639	227,461	63,776	68,583	68,583	68,583	73,533	74,741	83,419
Application of cash and investments											
Unspent conditional transfers		7,984	8,183	23,823	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	70,832	70,446	61,136	65,446	61,136	61,136	61,136	79,075	82,238	85,527
Other working capital requirements	3	43,059	118,136	191,024	(78,991)	(94,369)	(94,369)	(94,369)	(140,298)	(151,062)	(157,469)
Other provisions		9,776	12,013	14,085	13,215	14,085	14,085	14,085	14,085	14,648	15,234
Long term investments committed	4	46,659	53,332	61,608	63,559	63,559	63,559	63,559	69,793	72,584	75,488
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		178,309	262,110	351,674	63,229	44,411	44,411	44,411	22,655	18,408	18,780
Surplus(shortfall)		(41,038)	(111,471)	(124,214)	547	24,172	24,172	24,172	50,878	56,333	64,639

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2015/16 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R3 740 million and as at the end of the 2016/17 financial year project and increases to R7 931 million by 2018/19.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that from 2012/13 to 2014/15 audited outcome indicated a shortfall of R41 038 million and increases to R12 214 million during 2014/15, this has put pressure in our cash flow for about 3 years. The projection for 2016/17 indicates a surplus of R50 878 million increasing over the MTREF to R64 639 million.
5. The objective for the final approval budget for the 2016/17 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

G1401 - Mogate City - Table A5 Asset Management										
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	190,714	92,159	253,131	189,041	247,067	247,067	214,919	126,735	227,859
Infrastructure - Road transport		8,536	1,512	41,653	43,001	39,632	39,632	28,738	70,467	121,453
Infrastructure - Electricity		96,073	54,468	72,461	25,400	41,175	41,175	1,000	-	26,000
Infrastructure - Water		20,623	7,674	30,274	30,401	31,410	31,410	23,000	-	18,100
Infrastructure - Sanitation		-	5,113	13,622	4,000	30,244	30,244	7,044	-	1,110
Infrastructure - Other		753	-	-	-	-	-	-	-	-
Infrastructure		125,984	68,767	158,010	102,802	142,461	142,461	59,782	70,467	166,663
Community		30,061	7,826	19,592	10,049	13,017	13,017	3,547	10,220	11,532
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	34,239	12,824	57,170	75,260	87,428	87,428	143,589	41,721	49,664
Agricultural Assets		-	-	57	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		430	2,742	18,302	930	4,161	4,161	8,000	4,326	-
Total Renewal of Existing Assets	2	140,819	149,664	143,807	104,319	136,573	136,573	113,198	58,549	113,257
Infrastructure - Road transport		40,476	50,702	20,675	15,000	15,600	15,600	15,000	-	14,650
Infrastructure - Electricity		7,918	15	7,001	11,836	4,589	4,589	-	-	23,500
Infrastructure - Water		53,370	21,774	57,360	3,000	34,578	34,578	1,900	-	-
Infrastructure - Sanitation		-	20,191	15,441	19,419	25,297	25,297	35,418	35,000	63,007
Infrastructure - Other		4,646	10,070	2,483	-	321	321	-	-	-
Infrastructure		106,410	102,752	102,960	49,255	80,385	80,385	52,318	35,000	101,157
Community		29,119	42,755	17,555	54,664	53,560	53,560	46,148	23,549	5,000
Heritage assets		-	-	1,347	400	400	400	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	5,289	4,157	21,946	-	2,229	2,229	14,732	-	7,100
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	49,011	52,214	62,328	58,001	55,232	55,232	43,738	70,467	136,103
Infrastructure - Road transport		103,991	54,483	79,462	37,236	45,764	45,764	1,000	-	49,500
Infrastructure - Electricity		73,993	29,447	87,634	33,401	65,987	65,987	24,900	-	18,100
Infrastructure - Water		-	25,304	29,063	23,419	55,541	55,541	42,463	35,000	64,117
Infrastructure - Sanitation		5,400	10,070	2,483	-	321	321	-	-	-
Infrastructure - Other		232,395	171,518	260,970	152,057	222,846	222,846	112,101	105,467	267,820
Infrastructure		59,180	50,581	37,147	64,713	66,577	66,577	49,694	33,770	16,532
Community		-	-	1,347	400	400	400	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	39,528	16,981	79,116	75,260	89,656	89,656	158,321	41,721	56,764
Agricultural Assets		-	-	57	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		430	2,742	18,302	930	4,161	4,161	8,000	4,326	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	331,533	241,823	396,939	293,360	383,640	383,640	328,117	185,284	341,116
ASSET REGISTER SUMMARY - PPE (WDV)										
Infrastructure - Road transport	5	2,222,597	2,192,907	2,154,408	2,073,416	2,070,648	2,070,648	1,967,866	1,856,245	1,795,953
Infrastructure - Electricity		1,093,165	1,072,194	1,088,666	1,083,312	1,091,840	1,091,840	1,059,717	1,023,478	1,034,600
Infrastructure - Water		465,505	489,514	458,366	478,498	517,522	517,522	510,278	476,141	461,089
Infrastructure - Sanitation		580,039	560,640	478,630	573,060	605,982	605,982	649,816	684,147	753,439
Infrastructure - Other		188,433	167,151	2,483	202,339	203,567	203,567	303,299	303,225	310,247
Infrastructure		4,549,740	4,482,407	4,182,553	4,410,627	4,489,560	4,489,560	4,490,975	4,343,235	4,355,328
Community		669,629	713,535	612,041	754,535	760,567	760,567	805,034	829,988	837,344
Heritage assets		620	620	1,556	620	620	620	620	620	620
Investment properties		480,517	502,512	528,388	502,512	504,512	504,512	504,512	504,512	504,512
Other assets		46,523	32,603	595,284	30,124	33,208	33,208	8,889	8,165	7,401
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		1,143	4,860	20,865	16,737	16,968	16,968	25,368	29,694	29,694
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	5,748,171	5,736,537	5,940,687	5,715,155	5,805,435	5,805,435	5,835,398	5,716,214	5,734,898
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		242,282	267,571	229,643	298,154	298,154	298,154	298,154	313,062	331,532
Repairs and Maintenance by Asset Class	3	69,975	69,372	66,355	86,302	89,993	83,905	106,287	110,538	117,060
Infrastructure - Road transport		22,765	5,691	7,351	8,092	8,537	8,537	6,707	6,976	7,387
Infrastructure - Electricity		24,463	10,472	19,185	36,971	39,004	39,004	39,109	40,673	43,073
Infrastructure - Water		7,571	2,887	5,447	5,727	6,041	6,041	12,125	12,610	13,354
Infrastructure - Sanitation		10,348	9,482	9,202	9,644	10,174	10,174	16,993	17,672	18,715
Infrastructure - Other		3,555	6,039	2,998	5,115	4,341	4,341	6,414	6,671	7,064
Infrastructure		68,702	34,572	44,183	65,548	68,098	68,098	81,348	84,601	89,593
Community		6,137	6,189	6,806	7,951	8,388	2,300	8,660	9,007	9,538
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6, 7	(4,864)	28,612	15,366	12,803	13,507	13,507	16,279	16,930	17,929
TOTAL EXPENDITURE OTHER ITEMS		312,257	336,943	295,998	384,456	388,147	382,059	404,441	423,600	448,592
Renewal of Existing Assets as % of total capex		42.5%	61.9%	36.2%	35.6%	35.6%	35.6%	34.5%	31.6%	33.2%
Renewal of Existing Assets as % of deprecn"		58.1%	55.9%	62.6%	35.0%	45.8%	45.8%	38.0%	18.7%	34.2%
R&M as a % of PPE		1.3%	1.3%	1.2%	1.7%	1.7%	1.6%	2.0%	2.1%	2.3%
Renewal and R&M as a % of PPE		4.0%	4.0%	4.0%	3.0%	4.0%	4.0%	4.0%	3.0%	4.0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. During 2016/17 financial year 34.5 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2016/17 to 2018/19 is remaining constant at 4 per cent. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

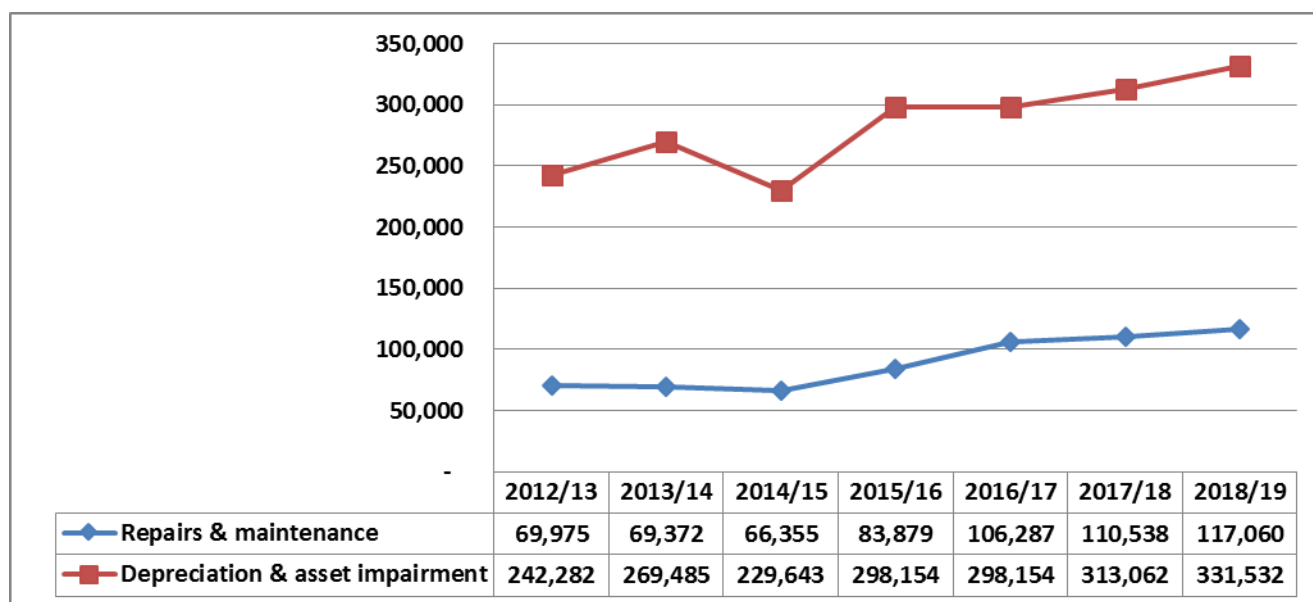


Figure 10 Depreciation in relation to repairs and maintenance over the MTREF

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets	1									
Water:										
Piped water inside dwelling		58,981	64,283	68,140	72,338	72,338	72,338	74,001	75,703	83,274
Piped water inside yard (but not in dwelling)		38,274	38,116	40,403	38,690	38,690	38,690	38,883	39,078	39,078
Using public tap (at least min.service level)	2	4,464	7,020	7,441	5,383	5,383	5,383	5,615	5,834	5,834
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		101,719	109,419	115,984	116,410	116,410	116,410	118,500	120,615	128,185
Using public tap (< min.service level)	3	—	4,500	4,770	3,873	3,873	3,873	3,641	3,422	3,422
Other water supply (< min.service level)	4	1,309	—	1,309	1,291	1,291	1,291	1,214	1,141	1,141
No water supply		3,613	3,454	3,613	3,117	3,117	3,117	2,930	2,754	2,754
<i>Below Minimum Service Level sub-total</i>		4,922	7,954	9,692	8,281	8,281	8,281	7,784	7,317	7,317
Total number of households	5	106,641	117,373	125,676	124,691	124,691	124,691	126,284	127,931	135,502
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		124,716	91,757	124,716	101,162	101,162	101,162	103,932	106,696	106,696
Flush toilet (with septic tank)		58,400	6,781	58,400	6,815	6,815	6,815	6,474	6,150	6,150
Chemical toilet		46,109	3,430	46,109	3,404	3,404	3,404	3,234	3,072	3,072
Pit toilet (ventilated)		—	2,755	2,920	2,700	2,700	2,700	2,565	2,437	2,437
Other toilet provisions (> min.service level)		88,740	5,675	88,740	5,634	5,634	5,634	5,352	5,085	5,085
<i>Minimum Service Level and Above sub-total</i>		317,965	110,398	320,885	119,715	119,715	119,715	121,557	123,440	123,440
Bucket toilet		—	3,702	3,924	2,817	2,817	2,817	2,676	2,542	2,542
Other toilet provisions (< min.service level)		—	971	1,029	728	728	728	692	657	657
No toilet provisions		1,085	2,302	1,085	1,431	1,431	1,431	1,359	1,291	1,291
<i>Below Minimum Service Level sub-total</i>		1,085	6,975	6,038	4,976	4,976	4,976	4,727	4,491	4,491
Total number of households	5	319,050	117,373	326,924	124,691	124,691	124,691	126,284	127,931	127,931
Energy:										
Electricity (at least min.service level)		24,925	24,925	24,925	107,477	107,477	107,477	110,164	112,918	112,918
Electricity - prepaid (min.service level)		6,035	6,034	6,035	6,307	6,307	6,307	6,338	6,370	6,370
<i>Minimum Service Level and Above sub-total</i>		30,960	30,959	30,960	113,784	113,784	113,784	116,503	119,288	119,288
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		5,823	5,823	5,823	6,086	6,086	6,086	6,117	6,147	6,147
Other energy sources		—	—	—	4,821	4,821	4,821	3,665	2,495	2,495
<i>Below Minimum Service Level sub-total</i>		5,823	5,823	5,823	10,907	10,907	10,907	9,781	8,643	8,643
Total number of households	5	36,784	36,782	36,784	124,691	124,691	124,691	126,284	127,931	127,931
Refuse:										
Removed at least once a week		81,500	93,488	81,500	103,020	103,020	103,020	105,544	108,130	108,130
<i>Minimum Service Level and Above sub-total</i>		81,500	93,488	81,500	103,020	103,020	103,020	105,544	108,130	108,130
Removed less frequently than once a week		—	2,159	2,159	2,073	2,073	2,073	1,990	1,910	1,910
Using communal refuse dump		—	3,091	3,091	2,967	2,967	2,967	2,849	2,735	2,735
Using own refuse dump		—	13,720	13,720	13,171	13,171	13,171	12,644	12,139	12,139
Other rubbish disposal		—	824	824	791	791	791	759	729	729
No rubbish disposal		—	4,091	4,091	2,668	2,668	2,668	2,498	2,289	2,289
<i>Below Minimum Service Level sub-total</i>		—	23,885	23,885	21,671	21,671	21,671	20,740	19,801	19,801
Total number of households	5	81,500	117,373	105,385	124,691	124,691	124,691	126,284	127,931	127,931
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		17,827	40,736	46,235	45,500	45,500	45,500	45,728	45,956	45,956
Sanitation (free minimum level service)		11,000	6,023	6,836	13,400	13,400	13,400	15,000	16,000	20,000
Electricity/other energy (50kwh per household per month)		11,000	6,023	6,758	13,400	13,400	13,400	15,000	16,000	20,000
Refuse (removed at least once a week)		11,000	6,023	6,384	13,400	13,400	13,400	15,000	16,000	20,000
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		69,300	224	62,807	91,648	91,648	91,648	97,146	102,975	102,975
Sanitation (free sanitation service to indigent households)		13,003	924	1,048	17,196	17,196	17,196	18,228	19,322	19,322
Electricity/other energy (50kwh per indigent household per month)		4,863	188	6,583	6,414	6,414	6,414	6,799	7,207	7,207
Refuse (removed once a week for indigent households)		9,034	682	723	11,060	11,060	11,060	11,724	12,427	12,427
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)		—	—	—	—	—	—	—	—	—
Total cost of FBS provided		96,200	2,018	71,162	126,318	126,318	126,318	133,897	141,931	141,931
Highest level of free service provided per household										
Property rates (R value threshold)		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		137	153	162	165	165	165	170	175	175
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		105	121	128	240	240	240	240	254	270
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		420	485	485	500	500	500	550	600	600
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		165,665	179,219	208,711	187,211	213,954	213,954	213,954	224,652	237,008
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (in excess of one removal a week for indigent households)		—	—	—	—	—	—	—	—	—
Municipal Housing - rental rebates		—	—	—	—	—	—	—	—	—
Housing - top structure subsidies		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—
Total revenue cost of subsidised services provided	6	166,085	179,704	209,196	187,711	214,454	214,454	214,504	225,252	237,608

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
 - a. Water services – (below minimum service level) 7 784 households are provided by water through water tinkering. . These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
 - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
 - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 13 400 households to be registered as indigent in 2016/17 currently Mogale City is providing free basic services to 13 400 households. The number is set to increase to 20 000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R133 897 million in 2016/17, increasing to R141 931 million in 2018/19. This is covered by the municipality’s equitable share allocation from national government.

2. Part 2 – Supporting Documentation

1.8 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

1.8.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 31 August 2015. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 1 Planning Process			
	Adoption of IDP/ budget Process Plan	IDP and BTO	August 2015
	Presentation to IDP/ budget task team	IDP	August 2015
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation to councillors	IDP and BTO	October 2015
	Review of 2016/17 public participation to determine the following <ul style="list-style-type: none"> What needs to be improved for the public participation What are the possible alternatives for the next public participation? 	IDP and Public Participation Divisions	October 2015
	<ul style="list-style-type: none"> Review 1st quarter performance Determine service delivery priorities Agree on MTFF and its assumptions. Agree on initial cash limits for each department 	IDP unit and BTO	October 2015
	MEC comments review	IDP Division	Oct/Nov 2015
	Executive Managers/Managers complete stage 1 IDP/Budget input forms.	All Departments	November 2015
	Public Participation Process	Exec. Mayor and mayoral committee	Oct- Nov 2015
Phase 2 Analysis			
Community and stakeholder analysis	Community and stakeholder register	Office of the Speaker	October 2015
	Consideration of economic priorities	Financial Services	Oct/Nov 2015
	Institutional analysis	Corporate Services	Oct/Nov 2015
	Spatial Priorities	Planning and Development	Oct/Nov 2015
	Socio-Economic Priorities	IDP Unit	Oct/Nov 2015

	Institutional transformation	All Departments	Oct/Nov 2015
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2015
	Alignment of Priorities	IDP unit	Oct/Nov 2015
PHASE STRATEGIES	3		
	Vision and Mission	The entire municipality	October 2015
	Objectives and development priorities	The entire municipality	October 2015
	Programme and Project Identification	The entire municipality	October 2015
PHASE PROGRAMME AND PROJECTS	4		
Project & programme proposals	Priority Programmes and Projects	All Departments	
Project costing	CAPEX and OPEX costing	BTO	
	Setting of project targets and indicators	All Departments	December 2016
PHASE INTEGRATION	5		
	MEC comments	IDP unit	
	Sectoral plans	All Departments	January 2016
	Operational plans		
	Performance review	M& E	January 2016
	<ul style="list-style-type: none"> Agreement on the 2015/16 adjustment budget Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget 	IDP and BTO	January 2016
	Tabling of the midyear performance review and 2013/14 annual report	Executive Mayor	February 2016
	Submission of stage II input forms by Executive Managers and Manager	All Department	February 2016
PHASE APPROVAL	6		
	Tabling of the IDP/Budget to Portfolios	IDP/Budget Office	March 2016
	Tabling of the draft IDP and budget to council	Executive Mayor	March 2016
	Public Notice inviting comments	IDP unit	March 2016
	Statutory Public Participation process	Exec. Mayor	April 2016
	Responses to and incorporation of comments including portfolio Committees inputs		
	Tabling of IDP and budget for	Municipal Council	May/June

	consideration/ approval.		2016
	Submission of the approved IDP to the MEC of Local Government	IDP unit	June/July 2016
	Approval of the SDBIP	Executive Mayor	June/July 2016
PHASE 7 IMPLEMENTATION			
	Project implementation in accordance with the SDBIP	All Departments	July 2016 – June 2017
	Monitoring	M&E	
	Review	All Departments	January 2016
	Quarterly reporting MM, MEC, council	M&E	Every quarter
PHASE 8 ANNUAL REVIEW			
Draft Annual Report	Submission of unaudited Draft Annual Report to MPAC	M & E	Aug 16
	Submission of the Annual Report to AG	M&E	Aug 16
	Tabling of the Annual Report	M&E	Nov 16
Oversight Report	Oversight Report made public and Submitted to National Treasury and Local Government Departments	Council	Dec 16

1.9 Overview of budget related-policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15 and 2015/16 financial years remain in force for the 2016/17 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

1.9.3 Review of Property Rates Policy

Changes are proposed to the 2015/2016 Property Rates Policy as follows:

1. Amendment to 7.1. Categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j.
2. Amendment – section 8 (1) (b) (i) Joint income for qualifying pensioners has been increased from R60 000 to R96 000.
3. Amendment – section 13. 4. (e) Properties that do not get rebates includes mining properties.

2.3.4 Review of credit control and debt collection policy

Changes and additions are proposed to the 2015/16 policy as follows:

1. The clause 6.14.2.11 is added: arrangements are authorized and approved by Specialist.
2. Clause: municipality may open tenants account only for consumers who are approved as indigents to allow them to benefit from the indigent program, and a permission letter from the owner will be required. The clause is added on clause 5.7.1.

2.3.5 Review on Supply Chain Management Policy

Changes and additions are proposed to the 2015/16 approved policy as follows:

1. verbal quotations, up to a transaction value of R2 000 (VAT included), petty cash purchases may be incurred up to a maximum value of R 500 **per transaction with the maximum of R 2 000 per cost centre per month; (page 14)**
2. request for quotations advertised on the website **and notice board** for 7 days for procurements of a transaction value over R30 000 up to R200 000 (VAT included); **(page 15)**
3. **specify the listing criteria for accredited prospective providers, and (page 17) (addition)**
4. **in terms of subsection 14.3(h) below identified by Mogale City".(page 19) (replacement)**
5. **The following expenditure may only be incurred from petty cash in cases of urgency:**
6. ☐ **Any item that is a Stores stock item.(page 19) (deleted)**
7. **bids with a rand value equal to, or above R 30 000 will be subjected to the preference points system in terms of section 5.1 of the Preferential Procurement Regulations of 2011 (page 22) (addition)**
8. **All committee members must annually declare their financial interest to the accounting officer. (page 28) (addition)**
9. **must be approved by the accounting officer or his/her delegate prior to publication of the invitation for bids in terms of paragraph 22 of this Policy. (page 29) (addition)**
10. **(iv) (iv) Acceptance letter;**
11. **(v) (v) Service Level Agreement.**
12. **(4)Municipalities should consult with Gauteng Provincial Treasury on the intention to partake in a contract secured by an other organ of state. (page 33) (deleted).**

2.3.6 Review of Cash Management & Investment Policy

Changes and additions are proposed to the 2015/16 approved policy as follows:

1. The CFO shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. This statement is not relevant as the CFO should process payments on a daily basis, not once a month.

2.3.7 The following policies approved during 2015/16 financial year reflect no changes:

1. Budget Management Policy
2. Adjustment Budget Management Policy
3. Long Term Financial Planning Policy
4. Unauthorised Irregular Fruitless & Wasteful Expenditure Policy
5. Indigent Management Policy

All the above policies are available on the City's website, as well as the following budget related policies:

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

1.10 Overview of budget assumptions

1.10.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 23 per cent of total operating expenditure in the 2016/17 MTREF.

1.10.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2016/17 financial year.

1.10.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (**96 per cent**) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

1.10.4 Salary increases

Employee related cost overall will increase by 6.7% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year – an increase of 7 per cent;
- 2016/17 Financial Year – an increase based on the average CPI percentage (5.7%) for the period 1 February 2015 until 31 January 2016, plus one percent (1%);
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

1.10.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.3.6 The South African economy and inflation targets

The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Job creation remains one of the most pressing concerns for the economy. Headline employment grew by 3.7 per cent in the first three quarters of 2015. According to Statistics South Africa, 19 000 jobs were created in the formal sector and 273 000 in the informal sector in the first three quarters of 2015. The unemployment rate stood at 25.5 per cent in the third quarter of 2015, with the number of South Africans categorised as long-term unemployed 5.7 per cent higher than in 2014.

Higher inflation and weaker employment growth will impact on the ability of all municipalities to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. **Therefore it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.** Belt tightening is a reality for all municipalities all cost cutting measures must be implemented fully without compromising quality service delivery to all citizens.

Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning. Financial sustainability means that future generations will not be burdened with paying for services that today's taxpayers enjoy.

1.10.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Table 25 MBRR Table A7 - Budget cash flow statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		322,147	375,912	370,073	380,150	425,641	425,641	425,641	447,141	476,648	501,910
Service charges		906,390	952,969	1,032,472	1,350,542	1,302,078	1,302,078	1,302,078	1,410,600	1,575,563	1,743,065
Other revenue		88,261	166,424	121,678	194,402	283,756	283,756	283,756	79,460	84,228	88,692
Government - operating	1	224,377	233,575	266,401	274,720	274,258	274,258	274,258	305,520	339,908	359,390
Government - capital	1	120,383	109,235	99,243	141,157	151,919	151,919	151,919	248,876	180,958	180,841
Interest		23,886	27,142	17,329	40,237	44,011	44,011	44,011	43,547	46,149	48,595
Dividends			34	19					-	-	-
Payments											
Suppliers and employees		(1,400,128)	(1,524,575)	(1,613,651)	(1,977,841)	(2,156,324)	(2,156,324)	(2,156,324)	(2,224,090)	(2,304,761)	(2,448,506)
Finance charges		(45,421)	(55,300)	(43,110)	(56,035)	(56,514)	(56,514)	(56,514)	(52,094)	(48,467)	(34,429)
Transfers and Grants	1	(32,510)	(25,462)	-	(64,439)	(54,597)	(54,597)	(54,597)	(59,071)	(60,302)	(63,719)
NET CASH FROM/(USED) OPERATING ACTIVITIES		207,386	259,954	250,453	282,892	214,228	214,228	214,228	199,888	289,924	375,839
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	1,161		50,000	50,000	50,000	50,000	-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(323,911)	(222,054)	(398,072)	(293,360)	(383,640)	(383,640)	(383,640)	(328,117)	(185,284)	(341,116)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(323,911)	(220,893)	(398,072)	(243,360)	(333,640)	(333,640)	(333,640)	(328,117)	(185,284)	(341,116)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		190,994	-	239,500					-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(28,080)	(32,519)	(22,732)	(41,173)	(41,346)	(41,346)	(41,346)	(33,814)	(106,223)	(28,949)
NET CASH FROM/(USED) FINANCING ACTIVITIES		162,914	(32,519)	216,768	(41,173)	(41,346)	(41,346)	(41,346)	(33,814)	(106,223)	(28,949)
NET INCREASE/ (DECREASE) IN CASH HELD		46,388	6,541	69,149	(1,641)	(160,758)	(160,758)	(160,758)	(162,042)	(1,583)	5,775
Cash/cash equivalents at the year begin:	2	43,775	90,163	96,705	1,858	165,782	165,782	165,782	165,782	3,740	2,157
Cash/cash equivalents at the year end:	2	90,163	96,705	165,853	217	5,024	5,024	5,024	3,740	2,157	7,931

The above table shows that cash and cash equivalents of the City remains positive from 2012/13 at R90 163 million, decrease during 2016/17 financial year and over the MTREF.

1.10.8 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	90,163	96,705	165,853	217	5,024	5,024	5,024	3,740	2,157	7,931
Other current investments > 90 days		0	0	0	0	0	0	0	-	-	-
Non current assets - Investments	1	47,108	53,935	61,608	63,559	63,559	63,559	63,559	69,793	72,584	75,488
Cash and investments available:		137,271	150,639	227,461	63,776	68,583	68,583	68,583	73,533	74,741	83,419
Application of cash and investments											
Unspent conditional transfers		7,984	8,183	23,823	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	70,832	70,446	61,136	65,446	61,136	61,136	61,136	79,075	82,238	85,527
Other working capital requirements	3	43,059	118,136	190,681	(78,991)	(94,369)	(94,369)	(94,369)	(140,298)	(184,082)	(157,469)
Other provisions		9,776	12,013	14,085	13,215	14,085	14,085	14,085	14,085	14,648	15,234
Long term investments committed	4	46,659	53,332	61,608	63,559	63,559	63,559	63,559	69,793	72,584	75,488
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		178,309	262,110	351,331	63,229	44,411	44,411	44,411	22,655	(14,612)	18,780
Surplus(shortfall)		(41,038)	(111,471)	(123,871)	547	24,172	24,172	24,172	50,878	89,353	64,639

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- **The municipality has no cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the City.**

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

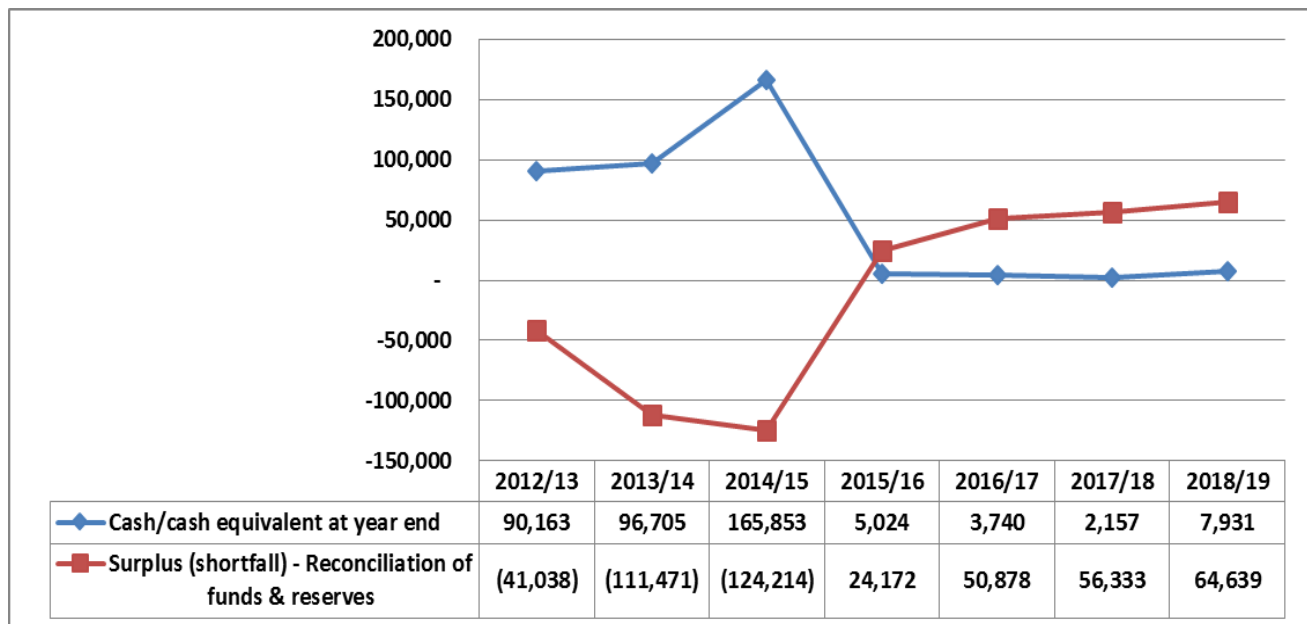


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2015, currently Mogale City have absorbed permanently all five interns. During the 2015/16 financial year employed 5 interns to undergo training in various divisions of the Financial Services Department we have since absorb two interns on permanent basis. Since the introduction of the Internship programme the City has successfully employed and trained twenty six interns through this programme and majority of them were appointed in Mogale City.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. Service Delivery and Implementation Plan

The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2015 Strategic Plan.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

2.5 Municipal manager's quality certificate

I Dan Mashitisho, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Dan Mashitisho

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____